

Consolidated Financial Statements | **2024**





KPMG, SLU
Edifici Centre de Negoci
C/ Manuel Cerqueda i Escaler, 6
AD700 Escaldes-Engordany
Principat d'Andorra

Independent Auditor's Report in accordance with International Standards on Auditing

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

To the shareholders of Crèdit Andorrà, SA

Opinion

We have audited the consolidated financial statements of Crèdit Andorrà, SA (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated statement of financial position at 31 December 2024, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the explanatory notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the equity and financial position of the Group at 31 December 2024, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by Andorra (IFRS-Andorra) and International Financial Reporting Standards as adopted by the European Union (IFRS-EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 IESBA (International Ethics Standards Board for Accountants) Code of Ethics (including international standards on independence), and we have fulfilled our other ethical requirements under the IESBA Code of Ethics.

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's Directors are responsible for the other information. The other information comprises the consolidated annual report for 2024 but does not include the consolidated financial statements or our auditor's report thereon.

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 consists of reading the other information and, in doing so, consider whether there is a material inconsistency between the other information and the consolidated financial statements or the knowledge we have obtained during the audit or it is indicative of a material misstatement in the other information for any other reason. If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report it. We have nothing to report thereon.

Responsibilities of the Directors and the Audit and Risk Committee in relation to the Consolidated Financial Statements

The Parent's Directors are responsible for the preparation of the accompanying consolidated financial statements in such a way that they give a true and fair view of the equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by Andorra (IFRS-Andorra) and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. As mentioned in note 1.2 to the accompanying consolidated financial statements and in accordance with the Decree approving the accounting framework applicable to entities operating in the Andorran financial system and to Andorran collective investment undertakings, the Directors of the Parent also confirm that the accompanying consolidated financial statements comply with IFRS-EU.

In preparing the consolidated financial statements, the Parent'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 Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit and risk committee 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.



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Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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 economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement 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, and 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's Directors.
- Conclude on the appropriateness of the Parent 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 a true and fair view.
- Plan and perform the Group's audit to obtain sufficient and appropriate evidence regarding the financial information of the entities or business activities within the Group as a basis for expressing an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and risk committee and the Parent 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 audit and risk committee and the Parent with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and



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other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards

KPMG, SLU

(Signed on original in Catalan)

Dídac Feliubadaló Prat
Partner

28 March 2024

Financial Statements 2024

Creand Group

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Consolidated financial statements 2024

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Statement of financial position - Assets

Creand Group

In thousands of Euros	Note	31.12.2024	31.12.2023 (*)
Cash, cash balances at central banks and other demand deposits	8	444,522	349,122
Financial assets held for trading	9.1	69,524	55,131
Derivatives		55,389	40,641
Equity instruments		2,660	3,424
Debt securities		11,475	11,066
Loans and advances		-	-
		141,829	138,291
Non-trading financial assets mandatorily at fair value through profit or loss	9.2		
Equity instruments		140,329	136,791
Debt securities		-	-
Loans and advances		1,500	1,500
		269,905	242,171
Financial assets designated at fair value through profit or loss	10		
Debt securities		269,905	242,171
Loans and advances		-	-
		277,602	296,572
Financial assets at fair value through other comprehensive income	11		
Equity instruments		12,490	11,982
Debt securities		265,112	284,590
Loans and advances		-	-
		4,918,540	4,546,382
Financial assets at amortised cost			
Loans and advances	12	3,401,033	3,029,475
Credit institutions		735,719	430,870
Customers		2,665,314	2,598,605
Debt securities	13	1,517,507	1,516,907
Derivatives - hedge accounting	14	4	209
		1,977	1,619
Fair value changes of the hedged items in portfolio hedge of interest rate risk	14		
Investments in joint ventures and associates	3	86,216	88,959
Assets under insurance and reinsurance contracts	20	-	-
Tangible assets	15	212,384	203,452
Property, plant and equipment		162,480	153,252
Investment property		49,904	50,200
Intangible assets	16	109,282	107,579
Goodwill		74,478	72,109
Other intangible assets		34,804	35,470
Tax assets	45	13,440	15,814
Current tax assets		318	415
Deferred tax assets		13,122	15,399
Other assets	17	70,742	49,279
		93,894	90,870
Non-current assets and disposal groups classified as held for sale	18		
Total assets		6,709,861	6,185,450

(*) Shown solely and exclusively for purposes of comparison (see note 1.3.2)
Notes 1 to 49 are an integral part of the financial statements at 31 December 2024

Statement of financial position - Liabilities

Creand Group

In thousands of Euros	Note	31.12.2024	31.12.2023 (*)
Financial liabilities held for trading	9.3	54,692	41,484
Derivatives		54,692	41,484
Short positions		-	-
Deposits		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Financial liabilities designated at fair value through profit or loss	10	316,169	334,977
Deposits		-	-
Debt securities issued		316,160	329,017
Other financial liabilities		9	5,960
Financial liabilities at amortised cost	19	5,336,178	4,873,505
Deposits		5,215,985	4,762,318
Debt securities		50,750	51,578
Other financial liabilities		69,443	59,609
Derivatives - hedge accounting	14	1,491	1,121
Fair value changes of the hedged items in portfolio hedge of interest rate risk	14	-	-
Liabilities under insurance and reinsurance contracts	20	238,819	219,886
Provisions	21	14,963	15,841
Pensions and other post-employment defined benefit obligations		12,066	11,965
Other long-term employee benefits		810	1,530
Restructuring		-	-
Pending legal issues and tax litigation		-	261
Commitments and guarantees given		696	1,046
Other provisions		1,391	1,039
Tax liabilities	45	8,122	7,847
Current tax liabilities		3,568	2,225
Deferred tax liabilities		4,554	5,622
Share capital repayable on demand		-	-
Other liabilities	23	85,092	84,260
Liabilities included in disposal groups classified as held for sale	18	-	-
Total liabilities		6,055,526	5,578,921

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

Notes 1 to 49 are an integral part of the financial statements at 31 December 2024

Statement of financial position - Equity

Creand Group

In thousands of Euros	Note	31.12.2024	31.12.2023 (*)
Capital	24	63,102	63,102
Paid up capital		63,102	63,102
Unpaid capital which has been called up		-	-
Share premium	24	-	-
Equity instruments issued other than capital		-	-
Equity component of compound financial instruments		-	-
Other equity instruments issued		-	-
Other equity		-	-
Accumulated other comprehensive income	26	7,189	7,043
Items that will not be reclassified to profit or loss		514	1,191
Tangible assets		-	-
Intangible assets		-	-
Actuarial gains or losses on defined benefit pension plans		-1,603	-926
Non-current assets and disposal groups classified as held for sale		-	-
Share of other recognised income and expense 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
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
Accumulated fair value changes of financial liabilities at fair value through changes in credit risk		-	-
Items that may be reclassified to profit or loss		6,675	5,852
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		-8,389	-14,553
Fair value changes of insurance products measured at fair value through other comprehensive income		15,064	20,405
Hedging instruments (not designated elements)		-	-
Non-current assets and disposal groups classified as held for sale		-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates		-	-
Retained earnings		-	-
Revaluation reserves		-	-
Other reserves	24	509,795	461,466
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates		117,386	111,484
Other		392,409	349,982
(-) Treasury shares	25	-	-
Profit or loss attributable to owners of the Parent	4	70,901	71,256
(-) Interim dividends	4	-	-
Minority interests (non-controlling interests)	27	3,348	3,662
Accumulated other comprehensive income		-	-
Other items		3,348	3,662
Total equity		654,335	606,529
Total equity and liabilities		6,709,861	6,185,450

(*) Shown solely and exclusively for purposes of comparison (see note 1.3.2)
Notes 1 to 49 are an integral part of the financial statements at 31 December 2024

Income statement

Creand Group

In thousands of Euros	Note	2024	2023 (*)
Interest income	34	210,314	173,021
Financial assets at fair value through other comprehensive income		3,565	580
Financial assets at amortised cost		166,326	150,970
Other interest income		40,423	21,471
(Interest expenses)	34	-103,779	-58,284
(Expenses on share capital repayable on demand)		-	-
Dividend income	35	431	553
Fee and commission income	36	125,129	116,349
(Fee and commission expenses)	36	-28,750	-22,982
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	37	86	538
Financial assets at fair value through other comprehensive income		-1	296
Financial assets at amortised cost		85	246
Financial liabilities at amortised cost		2	-4
Other		-	-
Gains or losses on financial assets and liabilities held for trading, net	37	-1,119	841
Reclassification of financial assets out of fair value through other comprehensive income		-	-
Reclassification of financial assets out of measured at amortised cost		-	-
Other gains or losses		-1,119	841
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	37	8,573	275
Reclassification of financial assets out of fair value through other comprehensive income		-	-
Reclassification of financial assets out of measured at amortised cost		-	-
Other gains or losses		8,573	275
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	37	4,324	2,893
Gains or losses from hedge accounting, net	14	-216	-208
Exchange differences (gain or loss), net	37	2,486	4,087
Gains or losses on derecognition of non-financial assets, net	37	266	-804
Other operating income and expenses	38	-617	-2,900
Other income and expenses of assets and liabilities under insurance or reinsurance contracts	38	4,139	5,296
Total operating income/expenses, net		221,267	218,675

Income statement (continued)

Creand Group

In thousands of Euros	Note	2024	2023 (*)
Total operating income/expenses, net		221,267	218,675
(Administrative expenses)		-139,253	-133,552
(Staff expenses)	39	-81,346	-79,448
(Other administrative expenses)	40	-57,907	-54,104
(Depreciation and amortisation)	41	-20,948	-21,441
(Property, plant and equipment)	15	-10,891	-10,810
(Investment property)	15	-287	-291
(Other intangible assets)	16	-9,770	-10,340
(Provisions or reversal of provisions)	42	361	2,013
(Commitments and guarantees given)		360	1,768
(Other provisions)		1	245
(Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and modification gains or losses)	43	13,732	8,465
(Financial assets at cost)		-	-
(Financial assets at fair value through other comprehensive income)		6	-3
(Financial assets at amortised cost)		13,726	8,468
(Impairment or reversal of impairment of investments in joint ventures and associates)		-43	36
(Impairment or reversal of impairment on non-financial assets)		-185	-28
(Property, plant and equipment)	15	-	-
(Investment property)	15	-	-
(Goodwill)	16	-185	-28
(Other intangible assets)	16	-	-
(Other)		-	-
Negative goodwill recognised in profit or loss	3.6	-	-
Share of the profit or loss of investments in subsidiaries, joint ventures and associates	44	1,832	1,446
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	18	-1,132	-179
Profit or loss before tax from continuing operations		75,631	75,435
(Tax expense or income related to profit or loss from continuing operations)	45	-4,930	-4,101
Profit or loss after tax from continuing operations		70,701	71,334
Profit or loss after tax from discontinued operations		-29	-25
Profit or loss before tax from discontinued operations	3.6	-29	-25
(Tax expense or income related to profit or loss from discontinued operations)		-	-
Profit or loss for the year		70,672	71,309
Attributable to minority interest (non-controlling interests)		-229	53
Attributable to owners of the Parent		70,901	71,256
Earnings per share (basic) - in Euros	4	79.27	79.67
Earnings per share (diluted) - in Euros	4	79.27	79.67

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

Notes 1 to 49 are an integral part of the financial statements at 31 December 2024

Statement of comprehensive income

Creand Group

In thousands of Euros	Note	2024	2023 (*)
Profit or loss for the year		70,672	71,309
Other comprehensive income		146	4,795
Items that will not be reclassified to profit or loss	26	-677	-1,116
Tangible assets		-	-
Intangible assets		-	-
Actuarial gains or losses on defined benefit pension plans		-752	-1,240
Non-current assets and disposal groups classified as held for sale		-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income		-	-
Gains or losses resulting from hedge accounting of equity instruments at fair value through other comprehensive income, net		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		-	-
Income tax relating to items that will not be reclassified		75	124
Items that may be reclassified to profit or loss		823	5,911
Hedge of net investments in foreign operations (effective portion)		-	-
Valuation gains or losses taken to equity		-	-
Transferred to profit or loss		-	-
Foreign currency translation		-	-
Translation gains or losses taken to equity		-	-
Transferred to profit or loss		-	-
Hedging derivatives. Cash flow hedges (effective portion)		-	-
Valuation gains or losses taken to equity		-	-
Transferred to profit or loss		-	-
Transferred to initial carrying amount of hedged items		-	-
Hedging instruments (not designated elements)		-	-
Valuation gains or losses taken to equity		-	-
Transferred to profit or loss		-	-
Debt instruments at fair value through other comprehensive income		1,436	13,742
Valuation gains or losses taken to equity		1,435	14,038
Transferred to profit or loss		1	-296
Insurance products at fair value through other comprehensive income		-	-6,624
Valuation gains or losses taken to equity		-	-6,624
Transferred to profit or loss		-	-
Non-current assets and disposal groups classified as held for sale		-	-
Valuation gains or losses taken to equity		-	-
Transferred to profit or loss		-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates		-	-
Income tax relating to items that may be reclassified to profit or loss		-613	-1,207
Total comprehensive income for the year		70,818	76,104
Attributable to minority interests (non-controlling interests)		-229	53
Attributable to owners of the Parent		71,047	76,051

(*) Shown solely and exclusively for purposes of comparison (see note 1.3.2)
Notes 1 to 49 are an integral part of the financial statements at 31 December 2024



Statements of changes in equity

Creand Group

31 December 2024

Equity attributable to Parent

	Shareholders' equity					Minority interests			Total equity net
	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		
In thousands of Euros									
Balances at 31 December 2023	63,102	7,043	461,466	71,256	-	-	3,662		606,529
Effects of correction of errors (note 1.3.1)	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies (see notes 1.2.1 and 1.3.2)	-	-	-	-	-	-	-	-	-
Adjusted balance at 1 January 2024	63,102	7,043	461,466	71,256	-	-	3,662		606,529
Capital reduction	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-25,151	-	-	-	-	-	-25,151
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	71,256	-71,256	-	-	-	-	-
Other increases or decreases in equity (see notes 3 and 27)	-	-	2,224	-	-	-	-85	-	2,139
Total comprehensive income for the year	-	146	-	70,901	-	-	-229	-	70,818
Balances at 31 December 2024	63,102	7,189	509,795	70,901	-	-	3,348		654,335



Statements of changes in equity (continued)

Creand Group

31 December 2023 (*)

	Equity attributable to Parent (*)							Total equity net
	Shareholders' equity				Minority interests			
	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	
In thousands of Euros								
Balances at 31 December 2022	63,102	-11,242	457,254	43,036	-	-	7,258	559,408
Effects of correction of errors (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 reduction	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-11,000	-	-	-	-	-11,000
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	44,476	-44,476	-	-	-	-
Other increases or decreases in equity (see notes 3 and 27)	-	-	-1,940	-	-	-	-3,649	-5,589
Total comprehensive income for the year	-	4,795	-	71,256	-	-	53	76,104
Balances at 31 December 2023	63,102	7,043	461,466	71,256	-	-	3,662	606,529

(*) Shown solely and exclusively for purposes of comparison (see note 1.3.2)
Notes 1 to 49 are an integral part of the financial statements at 31 December 2024

Statements of cash flows

Creand Group

In thousands of Euros	Note	2024	2023 (*)
Cash flows from operating activities		127,692	63,042
Profit for the year		70,901	71,256
Adjustments to obtain cash flows from operating activities		1,160	2,834
Depreciation and amortisation	41	20,948	21,441
Other adjustments		-19,788	-18,607
Net increase/(decrease) in operating assets		-381,568	459,486
Financial assets held for trading		-14,427	7,282
Non-trading financial assets mandatorily at fair value through profit or loss		5,482	-13,309
Financial assets designated at fair value through profit or loss		-23,410	-87,634
Financial assets at fair value through other comprehensive income		26,236	-2,261
Financial assets at amortised cost		-364,566	543,958
Other operating assets		-10,883	11,450
Net increase/decrease in operating liabilities		437,199	-470,534
Financial liabilities held for trading		13,208	-16,210
Financial liabilities designated at fair value through profit or loss		-18,808	166,015
Financial liabilities at amortised cost		444,280	-617,620
Other operating liabilities		-1,481	-2,719
Income tax received/paid			
Cash flows used in investing activities		-5,306	-6,324
Payments		-13,076	-8,761
Tangible assets	15	-5,186	-1,991
Intangible assets	16	-7,890	-6,770
Investments in joint ventures and associates		-	-
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale		-	-
Held-to-maturity investments		-	-
Other payments relating to investing activities		-	-
Receipts		7,770	2,437
Tangible assets		-	-
Intangible assets		-	-
Investments in joint ventures and associates		5,688	542
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale		2,082	1,895
Held-to-maturity investments		-	-
Other receipts relating to investing activities		-	-
Cash flows used in financing activities		-25,151	-11,000
Payments		-25,151	-11,000
Dividends	4	-25,151	-11,000
Debt securities		-	-
Redemption of own equity instruments		-	-
Acquisition of own equity instruments		-	-
Other payments relating to financing activities		-	-
Receipts			
Debt securities		-	-
Issuance of own equity instruments		-	-
Disposal of own equity instruments		-	-
Other receipts relating to financing activities		-	-
Effect of exchange rate fluctuations		-1,835	784
Net increase (decrease) in cash and cash equivalents (A+B+C+D)		95,400	46,502
Cash and cash equivalents at the beginning of the period		349,122	302,620
Cash and cash equivalents at the end of the period		444,522	349,122

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

Notes 1 to 49 are an integral part of the financial statements at 31 December 2024

Notes to the financial statements

1. Introduction, basis of presentation and other information

1.1. Introduction

Crédit Andorrà SA (hereinafter, "the Bank", "the Entity" or "the Parent"), 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. Likewise, on 11 April 2011, the Andorran National Institute of Finance (currently the Andorran Financial Authority, "AFA") approved the application to broaden the Bank's corporate purpose to include the investment and ancillary services set out in Articles 5 and 6 of Law 13/2010 of 13 May 2010.

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.

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

In 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 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 undertakings under Andorran law in accordance with the International Financial Reporting Standards as adopted by Andorra (Andorra-IFRS) and in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

The financial statements have been prepared based on accounting records kept by the Bank and the entities making up the Group, and are presented in accordance with the applicable regulatory framework for financial reporting, in such a way that they present a true and fair view of the Group's equity, financial position, profit or 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 (hereinafter "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 2024 are pending approval by their shareholders at the respective general meetings. Nevertheless, the Bank's Board of Directors considers they will be approved without any changes.

At a general meeting held on 25 April 2024, the Bank's shareholders approved the individual and consolidated financial statements for 2023.

The accompanying consolidated financial statements of the Creand Group for 2024 have been prepared with the same principles, accounting policies and criteria as those applied in the consolidated financial statements for 2023, except for the regulatory changes that entered into force on 1 January 2024, detailed in Section 1.2.1. "Mandatory standards, amendments and interpretations for financial years beginning on or after 1 January 2024". Therefore, these consolidated financial statements have been prepared taking into consideration the International Financial Reporting Standards as adopted by Andorra (Andorra-IFRS) and in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

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 the 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 annual periods beginning on or after 1 January 2024

In 2024 the standards and interpretations as adopted by the European Union, together with their amendments, applied by the Group due to their entry into force or early adoption are as follows:

Standards	Titles
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements
Amendments to IAS 1	Presentation of financial statements: <ul style="list-style-type: none"> - Classification of liabilities as current or non-current - Non-current liabilities with covenants
Amendments to IFRS 16	Lease liability in a sale and leaseback

No significant effects have arisen from the application of the aforementioned standards in these consolidated financial statements.

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

The objective of these amendments is to ask entities to provide additional disclosures about their supplier finance arrangements. For this purpose, new requirements have been prepared to provide information to the users of financial statements to enable them to assess how supplier finance arrangements affect an entity's liabilities and cash flows, as well as to understand the effect of these supplier finance arrangements on an entity's exposure to liquidity risk and how it might be affected if the arrangements were no longer available to it.

Amendments to IAS 1 “Presentation of financial statements”

Classification of liabilities as current or non-current

The objective of these amendments is to clarify how debts and other financial liabilities of entities are classified as current or non-current, in particular those liabilities without a set maturity date and which could become capital.

Non-current liabilities with covenants

The objective of these amendments is to clarify how loan covenants affect their classification as a current or non-current liability on the basis of whether these conditions have to be complied with before or after the date of the financial statements. These amendments change the “Classification of liabilities as current or non-current”.

Amendments to IFRS 16 “Lease liability in a sale and leaseback”

The objective of these amendments is to specify how a seller-lessee measures the lease liability arising from a sale and leaseback transaction so that the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

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

At 31 December 2024 the most significant standards and interpretations published by the IASB, but which have not been applied when preparing these consolidation financial statements, either because their effective date is subsequent to the date of these standards and interpretations or because they have still not been adopted by the European Union, are as follows:

Standards and interpretations	Title	Mandatory adoption for annual periods beginning on or after:
<u>Approved for adoption in the EU</u>		
Amendments to IAS 21	Lack of exchangeability	1 January 2025
<u>Not approved for adoption in the EU</u>		
Amendments to IFRS 9 and IFRS 7	- Amendments to the classification and measurement of financial instruments - Contracts referencing nature-dependent electricity	1 January 2026
Annual improvements to IFRS	Volume 11	1 January 2026
IFRS 18	Presentation and disclosure in financial statements	1 January 2027
IFRS 19	Subsidiaries without public accountability: Disclosures	1 January 2027

Except for the potential impact on presentation and disclosure arising from the adoption of IFRS 18, it is not expected that the adoption of those amendments issued by the IASB not in force will have a significant impact on the Group.

Approved for adoption in the EU

Amendments to IAS 21 “Lack of exchangeability”

The objective of these amendments is to require entities to apply a consistent approach consisting of assessing whether a currency is exchangeable and, when it is not, to specify the exchange rate to be used and the disclosures to be provided.

Earlier application of these amendments is permitted. If these amendments are applied in a period prior to the mandatory adoption date this fact must be disclosed.

Not approved for adoption in the EU

Amendments to IFRS 9 and IFRS 7 “Amendments to the classification and measurement of financial instruments”

These amendments form part of the subsequent review of the implementation of the classification and measurement requirements in IFRS 9 “Financial instruments”, as well as the requirements relating to IFRS 7 “Financial instruments: Disclosures”.

The main changes in requirements are related to the following:

- settling financial liabilities using an electronic payments system;
- assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features.

In addition, the disclosure requirements in investments in equity instruments designated at fair value through other comprehensive income are amended, and disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs were added.

Amendments to IFRS 9 must be applied retrospectively, even though it is not obligatory to reexpress prior years' information. Earlier application of all amendments at the same time or only the amendments relating to the classification of financial assets is permitted.

Amendments to IFRS 9 and IFRS 7 “Contracts referencing nature-dependent electricity”

The objective of these amendments is to enhance the information disclosed by entities in their financial statements in relation to contracts referencing nature-dependent electricity, generally structured as power purchase agreements (PPA). Earlier adoption of these amendments is permitted.

Annual improvements to IFRS - Volume II

These amendments include clarifications, simplifications, corrections and minor changes aimed at improving the coherence of IFRS 1 “First-time adoption of IFRS”, IFRS 7 “Financial instruments: disclosures” and their application guidance, IFRS 9 “Financial instruments”, IFRS 10 “Consolidated financial statements” and IAS 7 “Statement of cash flows”.

IFRS 18 “Presentation and disclosure in financial statements”

The objective of IFRS 18, that will replace IAS 1, is to improve the quality of financial reporting by:

- introducing defined income and expense categories (operating, investing and financing) and requiring defined subtotals (i.e. operating profit or loss) in the income statement;
- requiring disclosures on management-defined performance measures (MPMs) in the explanatory notes to the financial statements;
- including new principles for aggregation and disaggregation of financial information.

In addition, IFRS 18 introduces narrow-scope amendments, inter alia, to IAS 7 “Cash flow statements”, IAS 33 “Earnings per share” and IAS 34 “Interim financial reporting”. These amendments have to be applied as of the date IFRS 18 enters into force.

The Bank considers that IFRS 18 will mainly have an impact on the presentation and disclosure of the consolidated income statement as a result of adapting the template consolidated financial statements to the aforementioned amendments.

The application of IFRS 18 on the date it enters into force must be done retrospectively. Likewise its earlier application is permitted.

IFRS 19 “Subsidiaries without public accountability: Disclosures”

This standard permits certain subsidiaries to provide reduced disclosures when they decide to use IFRS criteria to prepare their financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it. For this purpose, those subsidiaries that are not public-interest entities are eligible (i.e. their debt or equity instruments are not traded in a public market, they are not in the process of issuing such instruments for trading in a public market, or do not hold assets in a fiduciary capacity for a broad group of outsiders as one of their primary businesses) for which their parent prepares consolidated financial statements available for public use under the criteria of IFRS. Earlier adoption of this standard is permitted.

1.3. Comparative information and correction of errors

1.3.1. Correction of errors

The balances shown in the statement of financial position for 2023 have not required any adjustments at 1 January 2024. At 1 January 2023 an adjustment to the 2022 balances was made to adjust the price paid for the assets and liabilities of Vall Banc, SA (see consolidated financial statements for 2022) during the process of allocating the price paid for the assets and liabilities of Vall Banc, SA (see consolidated financial statements for 2022): Crèdit Andorrà, SA did not recognise a liability for the cancellation of supplier services when they were discontinued at the integration date. Therefore, at 31 December 2022, "Other liabilities" on the consolidated statement of financial position and "Administrative expenses - Other administrative expenses" on the consolidated income statement were understated respectively by Euros 2,632 thousand (see statement of changes in equity).

1.3.2. Comparison of information

The figures corresponding to 31 December 2023 included in the accompanying consolidated financial statements are presented solely and exclusively for comparative purposes.

The Group applied IFRS 17 and IFRS 9 to the insurance business as of 1 January 2023, with transition date on 1 January 2022 and the financial statements were restated at 31 December 2022, which is included in the adjusted equity balance at 31 January 2023 (see statement of changes in equity) Details of changes to the classification and valuation adjustments are included in Appendix V, which forms an integral part of this note.

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

The preparation of the consolidated financial statements requires the use of relevant accounting estimates, the application of judgements, estimates and assumptions. Below is a summary providing details of those aspects that have involved a higher degree of judgement 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).
- Impairment losses on certain financial assets and fair value of the associated guarantees (note 5.2).
- Useful life of tangible and intangible assets (notes 15 and 16).
- Recoverable amount of goodwill, the differences on first consolidation and the remaining intangible assets (note 16).
- Impairment losses on non-current assets and disposal groups that were classified as held for sale (note 18).
- 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 income tax and deferred tax assets and liabilities (note 45).
- Methodology and assumptions used in the valuation of insurance contracts, including, inter alia, the determination of the adjustment for non-financial risk, discount rates and the investment component (see note 2.20).

Although the estimates made by the Bank's directors at 31 December 2024 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 income statements.

1.5 Information related to the Russia-Ukraine military conflict

2024 continues to be marked by the Russia-Ukraine armed conflict, 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 appendices with the names of the persons, organisations or other legal entities subject to the restrictions, which are applied by the Group (see note 48.2).

2. Accounting principles and policies, and valuation methods applied

In the preparation of the Creand Group's consolidated financial statements for 2024, 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 their measurement 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 immaterial; (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.
- 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 six 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 Group's income statement, not only in terms of the financial margin, but also the result of financial operations.

In this regard, it should be noted 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 terms 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 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 measurement:

- In the portfolio of financial assets at amortised cost, when the following two conditions are met:
 - it is managed using a business model whose objective is to hold financial assets in order to collect contractual cash flows (HTC); and
 - the contractual terms give rise on specified dates to cash flows that 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 objective is achieved by both collecting contractual cash flows and selling financial assets (HTCS), and
 - the contractual terms give rise on specified dates to cash flows that 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: provided that 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 undertakings, 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 temporarily 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 income statement of the year of the accrual. Dividends received from other companies are recognised in the income statement 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 arranged, the difference is recognised immediately in the income statement.

Subsequent changes to the fair value of derivatives are recorded in the income statement, 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 income statement.

- The financial instruments included in the portfolio of "Financial assets at amortised cost" and "Financial liabilities at amortised cost" are measured at their amortised cost. Amortised cost is the adjusted acquisition cost plus or minus, as appropriate, the principal repayments and the portion 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:

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

PV: present value or fair value is the present valuation of future cash flows of the transaction

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 fair value hedges.

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 income statement. In fair value macro-hedging, the valuation differences of hedged items, attributable to interest rate risk, are directly recorded in profit or loss, but their balancing entry, instead of being recorded in the line items where hedged items are recorded, are recognised under "Assets - Changes in fair value of hedged items of a portfolio with interest-rate risk hedging" or "Liabilities - 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 income statement using the effective interest rate method at the date the hedge is discontinued.

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 portfolio. In this way, the position risk or 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 Alcalà, 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 a business model to hold the financial assets to collect contractual cash flows. At the date of reclassification, the portfolio had a gross cost of Euros 33,982 thousand and a fair value of Euros 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 (Euros 4,234 thousand gross, equivalent to Euros 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. Had the aforementioned portfolio of financial assets 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 at 31 December 2024 would be Euros 835 thousand net - Euros 1,193 thousand gross (at 31 December 2023, these figures were Euros 1,631 thousand net - Euros 2,331 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 2024 and 2023, 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 2024 and 2023, 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 guarantee that directly or indirectly secure debt securities such as loans, credits, finance lease transactions 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 finance 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 for these contracts 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 income statement.

Should it become necessary to set up 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 transactions, 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 carrying amount 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 modification gains or losses" in the income statement for the period in which the impairment arises. Any recoveries of previously recognised impairment losses are recognised under the same line item in the income statement 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 transaction, they are classified into one of the following categories:

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

The classification of transactions as performing exposures 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 assessment is considered to be a multifactorial and comprehensive assessment. 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 transactions 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 transaction, 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 transaction 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 transactions as performing exposures 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 rises 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 transactions that could cause a significant change in the holder's ability to meet their debt obligations sustainably;
- for transactions with collateral, a significant deterioration in the ratio of the amount to the value of the guarantee, due to the unfavourable performance of the value of the guarantee, or to the maintenance or increase of the amount to be depreciated 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 transactions or significant changes in the holder's expected payment behaviour;
- significant increase in credit risk due to problems regarding groups in difficulty 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 performing exposures with a significant increase in credit risk:

- transactions with amounts more than 30 days past due;
- transactions 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 three months from the day on which the third non-payment of over 30 days occurred);
- transactions 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 performing exposures with significant increase in credit risk will be maintained for no less than three months, and provided that there is no objective evidence of impairment).

Refinancing, refinanced or restructured transactions are classified within the category of performing exposures 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 transactions will continue to be classified as performing exposures 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 two years has elapsed since the date of arranging the restructuring or refinancing transaction 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 transaction was arranged 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 transaction, or which was derecognised as a result of this transaction;
 - or, when deemed more appropriate given the characteristics of the transactions, 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 transactions will remain classified as performing exposures with a significant increase in credit risk until the criteria described in this section are met;
- the holder has no other transactions with amounts more than 30 days past due at the end of the trial period.

During the two-year period, further refinancing or restructuring of the refinancing, refinanced or restructured transactions, or the existence of amounts that are more than 30 days past due in these transactions, will mean that the transactions 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 transactions are reclassified as performing exposures as soon as the indications and/or weaknesses identified that warranted the special monitoring classification disappear. Conversely, if these indications and/or weaknesses are confirmed, the transactions are 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 exposures (Stage 3):** include 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 transactions as non-performing is made for the amount of the risk as a whole. The analysis of a transaction to determine whether it is appropriate to classify it as non-performing is carried out without considering the guarantees associated with these transactions.

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 transactions of a holder or group of holders are also classified as non-performing due to arrears when transactions with amounts more than 90 days past due account for more than 20% of the outstanding amounts of all transactions 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 transactions 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 transactions 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 transactions 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, transactions classified in this category are reclassified as performing exposures 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 transactions at the date of reclassification to the performing exposures category. In this regard, non-performing assets due to arrears that are no longer 90 days past due are kept in the category of performing exposures with a significant increase in risk for a period of no less than three 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 about 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.

A transaction 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 transaction. 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 transactions of holders that, following an individualised review, are found to be in situations that entail an impairment of their solvency.

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

- transactions 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 transactions in respect of which the debtor is involved in litigation, the collection of which depends on the resolution of such litigation;
- transactions in which the collateral enforcement process has been initiated, including finance lease transactions in which the entity has decided to terminate the contract to recover possession of the asset;
- transactions of holders that are or will be declared insolvent without an application for liquidation;
- guarantees granted to parties declared insolvent 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 transactions which, having been classified as non-performing and being classified as performing exposures 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.

Transactions 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 performing exposures with a significant increase in credit risk or performing exposures, depending on the characteristics of the transaction.

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 transactions 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 transaction through regular payments. Among others, moratoria of more than two years for repayment 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 performing exposures with a significant increase in credit risk.

The refinancing or restructuring of a transaction that was previously classified as non-performing:

- will not result in reclassification to the category of performing exposures with a significant increase in credit risk or performing exposures. In order to consider that the credit quality of the transaction 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 refinanced or restructured transactions as performing exposures with a significant increase in credit risk, it will be necessary to verify all the criteria that generally determine the classification of transactions 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 transaction was arranged or, if later, from the date on which the transaction was reclassified as non-performing. Consequently, the transaction 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 transaction, or which were derecognised as a result of the restructuring;
 - or, when it is more appropriate, based on the characteristics of the transactions, 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 transaction will remain classified as non-performing until the criteria described in this point are met.
 - that the holder has no other transaction with amounts more than 90 days past due on the date of reclassification to the category of performing exposures with a significant increase in credit risk of the refinancing, refinanced or restructured transaction.

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 transaction should be classified as non-performing.

The risks of holders declared insolvent without an application for liquidation are reclassified to the category of performing exposures with a significant increase in credit risk when the borrower has paid at least 25% of the entity's claims affected by the insolvency (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, transactions 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 transactions at the date of reclassification to the category of performing exposures.

- **Write-off:** 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 transaction'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 transaction. 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 transactions is estimated on an individual basis, and the rest are treated collectively.

Based on the credit risk management and monitoring criteria, for 2024 and 2023, the Group considers individually significant / relevant (single-name) borrowers to be those that meet any of the following conditions:

- In a transaction in Stage 1, when its gross carrying amount exceeds the lower of:
 - Euros 10 million, or
 - 5% individual own funds for solvency purposes, taking into account the regulations in force at all times.
- In a transaction in Stage 2 or Stage 3, when its gross carrying amount exceeds Euros 1 million.

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 thresholds.

In addition the Bank may give individualised treatment to borrowers/economic groups with transactions classified as Stage 1 or Stage 2 under a series of qualitative criteria specified in note 5.2.

It should also be noted that the Monitoring Unit has the power to decide that a transaction or group of transactions should be included in the pool for individual analysis, even if a priori the guidelines set by the Bank are met in order to be eligible for the collective calculation. This is due to the fact that the Monitoring Unit has the necessary information to determine whether a borrower or a transaction 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 income statement. In the event of subsequent recovery of all or part of the impairment losses, this amount is recognised in the income statement for the period in which the recovery arose.

2.8.3. 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 income statement 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.

	31.12.24	31.12.23
US dollar	1.039	1.105
Swiss franc	0.941	0.926
Pound sterling	0.829	0.869
Japanese yen	163.060	156.330
Canadian dollar	1.495	1.464

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 income statement 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 income statement, 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 income statement.

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 income statement using the effective interest rate of the transaction on the gross carrying amount of the transaction (except in the case of non-performing assets, in which case it is applied to the net carrying amount).
- The remaining value changes will be recognised as income or expenses 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 income statement. 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 transactions 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 were 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 income statement. Interest is treated in the same way as assets at amortised cost.
- Exchange rate differences are recognised in the income statement 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 income statement.
- 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 income statement, 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 income statement differs according to their nature.

- Financial fees and commissions, such as loan and credit fees and commissions, 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". Fees and commissions collected in advance are recorded during the life of the transaction, 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 income statement.
- Non-financial fees and commissions derived from the provision of services are recorded under "Fee and commission income" and "Fee and commission expense" over the period that the service is rendered, except for those relating to a single act, which are accrued when they occur.

2.10.3. Non-financial income and expenses

These are recognised for accounting purposes in accordance with the accrual criteria.

2.10.4. Deferred collections and payments

These are recognised for accounting purposes for the amount resulting from discounting 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 income statement.

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

These include all forms of consideration given in exchange for services rendered by Group employees or for the termination of employment. They can be classified into four categories:

- Short-term employee benefits.
- Post-employment benefits.
- Other long-term employee benefits.
- Termination benefits.

2.12.1. Short-term employee benefits

These are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. They include 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 income statement.

2.12.2. Post-employment benefits

Post-employment benefits are all benefits which the Group has assumed with its employees and which are payable after the completion of their employment with the Group. These include retirement benefits, such as pensions and lump sum 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 relating 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 income statement.

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 held 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 to the Group's creditors, even in bankruptcy. They cannot be returned to the Group, unless the remaining assets of 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 benefits that the Group has already paid to employees.

All of the Bank's defined benefit obligations are insured by policies taken out with Credit 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 Credit 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 eliminated and the item "Liabilities under insurance and reinsurance contracts" is reduced by the same amount.

Post-employment benefits are recognised as follows:

- The service cost is recognised in the income statement and includes the following items:
 - The current service cost, 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 past service cost, 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".
- Net interest on the liability/(asset) net of defined post-employment benefits, understood as the change during the period in the net defined benefit liability/(asset) that arises from the passage of time, is recognised under "Interest expenses", or "Interest income" in the case of income, in the income statement.

- The revaluation of the net liability/(asset) for defined post-employment benefits is recognised under "Accumulated other comprehensive income" in equity.
 - Actuarial gains or losses generated during the period due to the differences between the previous actuarial assumptions and what has actually occurred, and changes in the actuarial assumptions used.
 - The return on plan assets, excluding amounts included in net interest on the liability/(asset) for defined post-employment benefits.
 - Any change in the effect of the asset ceiling, excluding amounts included in 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 income statement 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. Corporate 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 2010 on corporate income tax (hereinafter CIT), 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 corporate income tax expense is considered an expense for the financial year and is recognised in the income statement, 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 statement of financial position and are 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 statement of financial position, the transitory balances corresponding to input IGI and, under "Tax liabilities - Current tax liabilities" on 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 transactions, 5% for fees and 10% in general.

The Group recognises, under "Tax assets - Current tax assets" on 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 2014 on personal income tax

On 24 April 2014, the General Council of the Principality of Andorra passed Law 5/2014 on personal income tax (hereinafter "IRPF"), 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 finance 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 statement of financial position, the transitory balances corresponding to the collection of IRPF until the final settlement with the corresponding body has taken place.

2.13.5 Law 5/2023 of 19 January 2023 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 2023 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 CIT, 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. A limit is also introduced on the application of unused tax credits, establishing a minimum rate of 30% of the tax rate, which entails a minimum effective CIT rate of 3%.

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

This law came into force on 1 January 2024 and is applicable to taxation periods starting on or after 1 January 2024.

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 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 impairment 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 income statement 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 income statement 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 one 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 income statement, and the carrying amount of assets is reduced to the recoverable amount.

After the impairment loss is recognised, future depreciation charges are adjusted in proportion to the revised carrying amount 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 had no impairment loss 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 income statement for future periods.

Upkeep and maintenance expenses are recognised under "Administrative expenses - Other administrative expenses" in the income statement. Similarly, operating income from investment properties is recognised under "Other operating income" in the income statement, 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 on first consolidation

Goodwill and the differences on 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 onerously.

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 identified, the goodwill is remedied with a corresponding balancing entry under "Impairment or reversal of impairment on non-financial assets - Goodwill" in the income statement. Such impairment losses are not subject to subsequent reversal.

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 depreciation of tangible assets.

The amortisation expense for these assets is recognised under "Depreciation and amortisation" in the income statement and is calculated basically using the amortisation 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 five 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 income statement. 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 recognised 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 operation), 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 transactions 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 initial recognition, the Group compares the carrying amount with fair value less costs to sell, and records any possible additional impairment in the income statement.

To do so, the Group updates the benchmark valuation serving as an estimate of the fair value no more frequently than every one to two years. This fair value is determined on the basis of appraisals or valuations carried out by independent experts that are not older than two years. With regard to assets appearing in the statement of financial position at 31 December 2024, the Group has obtained up-to-date appraisals of 100% of non-current assets classified as held for sale.

All appraisals used by the Group are 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 for 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 appraisal 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 depreciated 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 income statement. The gains from a held-for-sale non-current asset due to subsequent increases in fair value (less costs to sell) increase the carrying amount and are recognised in the same item in the income statement, 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 finance leases and operating leases.

2.17.2. Lease accounting when the Group is the lessee

At inception of the contract the lessee must assess whether the contract is, or contains, a lease. That is, whether the contract constitutes or contains the right to control the use of an identified asset for a period of time in exchange for 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" in the consolidated statement of financial position (see note 19). Finance cost is recorded under "Interest expenses - Financial liabilities at amortised cost" of the consolidated income statement (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" in 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 income statement 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" in the consolidated income statement (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 finance or operating leases.

2.17.3.1 Finance leases

Finance leases are operations that transfer substantially all the risks and rewards incidental to 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" on the assets side 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.

Finance income is recognised under "Interest income" in the income statement.

At 31 December 2024 and 2023 the Group, in cases where it acts as lessor, does not have any lease contracts that qualify as finance leases.

2.17.3.2 Operating leases

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

The acquisition cost of leased assets is recognised under "Tangible assets" in the statement of financial position. The assets are depreciated 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 income statement.

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 2024 and 2023, the Group recorded a sale and leaseback transaction relating to the Parent'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 benefits. Contingent assets are not recognised in the statement of financial position and, therefore, income that may never be realised is not recognised.

Contingent assets are assessed continuously to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the income are recognised in the financial statements of the period in which the change occurs. If an inflow of economic benefits becomes probable, a corresponding contingent asset is disclosed in the notes to the financial statements.

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 embodying economic benefits is not probable, it is recorded in contingent liabilities. Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually 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 transactions

As of 1 January 2023 the Group applied IFRS 17 "Insurance contracts" to the insurance business. The resulting obligations are presented under the liability item "Liabilities under insurance and reinsurance contracts".

IFRS 17 sets out the 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. All the insurance contracts meet the definition of an insurance contract.
- **Unit of account, cohorts and valuation model 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 on 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 to each of them, as permitted by the standard:

- Building Block Approach (“BBA”).
- Variable Fee Approach (“VFA”).

Products measured using general method (BBA)

Units of account	Products covered
Irregular income	Mutual funds
	Irregular income
Regular income	Regular income
SegurCaixa - Pensió 2000	Pensió 2000
	Savings 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 FUNCIO PUBLICA ASSEGURAT
UNIC	UNIC
Retirement yield	CPJR

Products measured using variable fee approach (VFA)

Units of account	Products covered
Dedicated Savings Plan	CPED
ULK	ULK_Fons (Axis, Avaloq)
Dynamic	CPJD
	FEDA_ULK
Employees	PLA PREVISIO 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 income statement shall be based on the insured benefits.

Insurance contracts

Recognition and derecognition

Groups of insurance contracts are initially recognised at the earliest of the following:

- The beginning of the coverage period of the group of contracts.
- The date when the first payment of a policyholder in the group becomes due.
- For a group of onerous contracts, when the group becomes onerous.

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

Construction of the curve

The discount curve used to calculate the present value of the insurance contract obligations is determined at unit of account level. For its calculation, at each reporting date, the Group identifies the securities in the asset portfolio of each of the units of account and subsequently calculates the spread of each security as the difference between the market IRR of the security and the market IRR of the German bond for the same maturity. This spread is incorporated into the German government debt yield curve at each of the points in time, provided that the bond is in force. That is, for the points of the curve before or equivalent to the maturity of the bond. As of the maturity date of the security in question, it is assumed that the flows will be reinvested in accordance with the yields on the EIOPA risk-free curve. Finally, the discount curve is built at unit of account level by weighting the curve of each security based on its market value.

2.21. Statement of cash flows

The items used in the presentation of the statement of cash flows 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 investing or financing activities.
- **Investing 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 result in changes in the composition of equity 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 income statement 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 corrections of errors. 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 corrections of errors 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, 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 or 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 generated or loss incurred 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.
- **Relationship 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 using the full consolidation method, which consists of aggregating 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 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 or loss for the year attributable to them is presented under "Profit/loss for the year - Attributable to minority interests" in the income statement.

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 1.3 and 1.4 include a list of the companies in the Group's consolidation scope using the equity method, showing both the value at which the aforementioned interests appear in the individual books (net carrying amount) 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 determining 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 2024 and 2023 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 in 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 statements, 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 acquisition-date fair value of the assets transferred, 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 statements 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" in the consolidated income statement.

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 transaction 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.

3.6. Main investees 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 2024 and 2023.

- **Credi-Invest SA** is a management company for investment vehicles.
Crédit 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.
- **Crédit Initiatives, SA** is a venture capital company. At 31 December 2023, the investee portfolio of this subgroup consisted of SPA, SA (25%) and CLIGE, SA (25%).
During 2024, Crédit Initiatives SA acquired 58.33% of Vesto Finance Services SL. Therefore, at 31 December 2024 the investee portfolio of this subgroup is mainly formed of SPA, SA (25%), CLIGE, SA (25%) and Vesto Finance Services SL (58.33%).
- **Patrigest, SAU** is a holding and asset management company. At 31 December 2024 its investee portfolio is formed of Credi-Invest, SA (20%).
At 31 December 2023, the investee portfolio of this subgroup consisted of Casamanya Ltd. (50% held directly by Crédit Andorrà, SA; 49.97% by Patrigest, SAU, and 0.03% by individuals) and Credi-Invest, SA (20%). In this regard, it should be noted 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 Mexico Asesores Patrimoniales, SA, which was sold in August 2023.
- **Crédit Capital Immobiliari, SA** is a holding, the sole activity of which is the holding and management of the Group's buildings.
- **Crédit Andorrà Panamá Holding, SA** is a wholly-owned subsidiary of Crédit Andorrà SA whose sole corporate purpose is to act as the parent of the Crédit Andorrà Panamá subgroup.
In September 2008, the Superintendency of Banks of Panama (the supervising authority in Panama) authorised an international banking licence for Crédit Andorrà.

Subsequently, on 17 November 2008, Banco Crèdit Andorrà (Panama) 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 advice.

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 2024 and 2023, 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 transactions 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 carrying amount 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 2024 and 2023 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).

The company operates under the Creand Technologies brand.
- **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.

The company operates under the Creand Wealth & Securities brand.
- **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).

Following various corporate transactions involving the entry and exit of minority shareholders, at 31 December 2024 the Bank holds 91% of the shares of Banco Alcalá, SA, whose only subsidiary is Gesalcalá, SA SGIIC (100%).

The last corporate transaction took place on 30 October 2023 when the Bank acquired 9.1% of the shares of Banco Alcalá, SA which were held by minority shareholders. The amount paid exceeded the amount of the liability recognised at that date by Euros 3,735 thousand, in compliance with IFRS 10 (see note 5.2.3). As permitted by applicable accounting regulations, the Bank chose to recognise this difference against reserves.

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. (to subsequently merge with Gesalcalá, SA SGIIC in 2023). This transaction, which is part of the Group's growth plan, was aimed at acquiring a new line of business for the Spanish subsidiary. With regard to the economic terms of the purchase transaction, it was structured through the establishment of a price determination mechanism that extended over three years following the purchase date, during which time a series of metrics had to be measured to serve as the basis for determining the various payments on account and the final payment to be made. At December 2023 Banco Alcalá, SA had an amount of Euros 5,960 thousand payable (see note 10), which was fully paid in 2024.

Banco Alcalá, SA focuses on global asset management for private and institutional customers, and has branches in Barcelona, Madrid, Valencia and la Seu d'Urgell.

The company operates under the Creand Wealth Management brand.
- **CA Holding Luxembourg, SARL.** A holding company domiciled in Luxembourg and incorporated on 29 September 2011.

In June 2023, the only company included in its scope, CA Holding España, SAU (100%), was liquidated in order to subsequently proceed with the liquidation of the company in November 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 transaction, 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 purchased the stake that the minority shareholders held in Beta Capital Management LP and Beta Capital Management LLC, thus becoming a 100% shareholder.

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

During 2018, 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 shareholdings 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 customers.

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

The company operates under the Creand Securities brand.

- **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.

At a General Meeting of this company on 2 October 2013 the shareholders agreed to reduce its share capital to zero and to carry out a subsequent simultaneous increase by capitalising the financing, which meant that Crèdit Andorrà SA's stake 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 customers to a local third-party brokerage firm.

At 31 December 2020, all customers had been 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 income statement of the Group's consolidated financial statements from 31 December 2020 onwards.

At 31 December 2024, the liquidation process is yet to be concluded.

- **Crédit Assegurances, SAU.** Parent of the Crédit Assegurances subgroup, its corporate purpose is the practice of insurance transactions 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 2017 on the regulation and supervision of insurance and re-insurance in the Principality of Andorra (see note 48.1.9). Its sole shareholder is Crédit Andorrà, SA.

During 2019, Crédit 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 Crédit Assegurances and thus allowing the transaction with Caser Seguros), and the remaining 49% remained under the ownership of Crédit 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 transaction also involved the signing of an exclusive marketing contract for life-risk products through Crédit 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, Crédit Assegurances, SAU (the seller) recognised a financial asset towards Caser Seguros (the purchaser) for an amount of Euros 6,200 thousand, the collection of which was conditional upon compliance with the business plan agreed between both parties for the following five years. Moreover, on 9 February 2023, Crédit Assegurances received the remaining Euros 3,000 thousand as the agreed business plan was more than fulfilled.

At December 2023, Crédit Andorrà, SA sold the stake that it held (44%) in the capital of CA Life Insurance Experts Compañía de Seguros y Reaseguros, SAU (CA Life) to Crédit Assegurances, SAU for a price equivalent to the carrying amount (Euros 4,314 thousand), as it was a transaction between two companies under shared control (Crédit Andorrà, SA continued to hold 44% of CA Life, albeit indirectly, through Crédit Assegurances). The aim of this transaction was to reorganise the Creand Group's insurance holdings under a single entity that would act as the holding company for the insurance subgroup (Crédit Assegurances, SAU). The transaction, despite being subject to authorisation by the corresponding supervisors, was accounted for in the individual financial statements of Crédit Andorrà, SA and Crédit Assegurances, SAU at 31 December 2023 due to the characteristics described above. During 2024 this transaction was carried out once the pertinent authorisations had been obtained from the corresponding supervisors. Subsequently, in December 2024 Crédit Assegurances reached an agreement with Arquia Bank, SA to sell to it 19% of the capital of CA Life, a transaction giving rise to profit of Euros 586 thousand.

Finally, during 2024 Enterprise Risk Management, SA carried out a capital reduction of Euros 3,329 thousand, impairing the goodwill that the Group had for a value of Euros 185 thousand (see note 16).

Consequently, at 31 December 2024 and 2023 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%), Llia 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 (25% and 44%), as well as the Spanish company Enterprise Risk Management, SA (90% and 90%).

The company operates under the Creand Assegurances Estalvi brand.

- **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 Esports de Neu Soldeu-Incles, SA (Ensisa) and almost all the shares that the Comú de la Massana held in 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-Ei 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 the Grandvalira ski resort. 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.

During 2024 SETAP 365, SA carried out a capital increase covered solely by the Comú de la Massana, with its shareholding structure being as follows: Comú de Canillo (39.21%), Crèdit Andorrà, SA (38.79%) and the Comú de la Massana (22.00%).

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 Ensisa's and EMAP's financial projections, among other things, during the remaining period of the 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 8.34% and 8.57% (between 8.02% and 8.32% at 31 December 2023).

- **CA México Asesores Patrimoniales, SA de CV.** A company the corporate purpose of which 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 sales team and recognised a loss of Euros 804 thousand in the income statement for the year (see note 37).
- **Serveis de Mitjans de Pagaments XXI, SA (Sermipa XXI).** A company in which Crèdit Andorrà holds a 33.3% stake, the corporate purpose and main business of which is to provide services related to the use of credit and debit cards and other payment methods.
- **Cliniques Geriatriques, SA (CLIGE SA).** A company in which Crèdit Andorrà holds a 25% stake through the subsidiary Crèdit Iniciatives, SA, the corporate purpose and main business of which 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, SA, the corporate purpose and main business of which is the management, marketing and operation of car parks.

- **CA Vincles Actuarial, SLU.** A company in which Crèdit Andorrà SA holds a 100% stake, the corporate purpose of which is to provide actuarial advisory services to Group companies.
The company operates under the Creand Actuarial brand.
- **Ensisa Patrimonis 365, SL.** A company in which Crèdit Andorrà holds a 49.57% stake, the corporate purpose of which is the management and operation of own real estate assets.
- **VB Assegurances, SAU, en liquidació.** A company the corporate purpose of which is to carry out life insurance operations.

In 2023, as part of the insurance banking agreement it has with Caser, Crèdit Andorrà transferred 100% of VB Assegurances, SAU's insurance business to CA Vida Assegurances, a transaction that resulted in a profit of Euros 542 thousand (see note 37). However, once the company had ceased to exist, Crèdit Andorrà began the process of winding up and liquidating the company, which was completed in December 2024. In an edict published in the Official Gazette of the Principality of Andorra (BOPA) on 27 January 2025, the decision to extinguish Vall Banc Assegurances, SAU en liquidació was made public.

- **VB Fons, SAU.** An investment undertaking management company In this regard, it should be noted that on 29 November 2022, the winding up of Vall Bank Fons, SAU was approved, as published in the Official Gazette of the Principality of Andorra (BOPA) of 14 December 2022. The company was liquidated in March 2023.

The change in 2024 and 2023 of "Investments in joint ventures and associates" in the Group's statement of financial position, which includes investments accounted for using the equity method, corresponds mainly to the integration of the change in equity represented by the Bank's interest in the various investees and the corporate transactions described above.

However, the main changes in the Group's scope of consolidation in 2024 and 2023 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 distribution of individual profits that the Board of Directors of Crèdit Andorrà, SA has proposed to the shareholders at the General Meeting for 2024 and 2023 is as follows (in thousands of Euros):

In thousands of Euros	31.12.2024	31.12.2023
Profit for the year	55,071	50,307
Interim dividend	-	-
Supplementary dividend	27,531	25,151
Restricted reserve allocation Notice 227/12	2,050	1,018
Restricted reserve allocation to guarantee deposits	-	-
Transfer to voluntary reserves	25,490	24,138
Profit pending distribution	-	-

The profit from the Group's consolidated companies will be distributed in the manner agreed at 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 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 of earnings per share for 2024 and 2023 is as follows:

	31.12.2024	31.12.2023
A. Profit attributable to the Parent (in thousands of Euros)	70,901	71,256
B. Weighted average number of shares outstanding	894,396	894,396
Basic earnings per share (in Euros) (A/B)	79.27	79.67

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 2024 and 2023 there are no potentially dilutive shares. 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 2018 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, set out regulations pertaining to:

- General prudential requirements with which banking institutions and investment firms must comply with regard to:
 - requirements of 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 2018 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 2024, Law 35/2018 and subsequent amendments require 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 10.72%. Furthermore, the Creand Group must maintain a minimum Tier 1 capital ratio of 12.22% and a minimum total ratio of 14.22%.

The aforementioned regulation aims to transpose in the Principality of 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, as part of 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 for 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 Regulatory 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 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 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 Regulatory 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 transactions above certain thresholds and provided that these transactions 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 CSC 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 (ICCB) established under the Prevention of Money Laundering Act. Its responsibilities include the organisation and monitoring of compliance with standards for anti-money laundering and counter-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 three 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 to which the Group's risk management and control framework are subject, 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 vis-a-vis 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.** This is 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.** This is 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.** This is 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.** This is the risk inherent to strategic decisions or external changes, such as changes to competitors or regulatory environment, that may affect the business model or hinder the achievement of objectives, thereby affecting profits and solvency.
- **Reputational risk.** This is 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.
- **ESG risk** The environmental, social and governance (ESG) risk derives from the impact on the company and the environment as a result of banking and financial activity, primarily in the area of finance (loans, investment and investment fund management).

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 transactions.

The breakdown, by items and headings in the consolidated financial statements, of the Group's maximum exposure to credit risk at 31 December 2024 and 2023 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	31.12.2024	31.12.2023
Financial assets held for trading	9.1	69,524	55,131
Derivatives		55,389	40,641
Equity instruments		2,660	3,424
Debt securities		11,475	11,066
Non-trading financial assets mandatorily at fair value through profit or loss	9.2	141,829	138,291
Equity instruments		140,329	136,791
Debt securities		-	-
Loans and advances		1,500	1,500
Financial assets designated at fair value through profit or loss	10	269,905	242,171
Debt securities		269,905	242,171
Loans and advances		-	-
Financial assets at fair value through other comprehensive income	11	277,602	296,572
Equity instruments		12,490	11,982
Debt securities		265,112	284,590
Financial assets at amortised cost		4,918,540	4,546,382
Loans and advances	12	3,401,033	3,029,475
Credit institutions		735,719	430,870
Customers		2,665,314	2,598,605
Debt securities	13	1,517,507	1,516,907
Derivatives - hedge accounting	14	4	209
Commitments and guarantees given	29	756,453	736,983
Loan commitments given		571,011	539,056
Financial guarantees given		185,442	197,927
Other commitments and guarantees given		-	-
Maximum exposure to credit risk		6,433,857	6,015,739

The Creand Group's maximum credit risk exposure at 31 December 2024 and 2023 does not differ significantly from the carrying amounts 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 Granting Unit is responsible for assessing the viability of transactions 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 transaction 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 it pursues long-term approaches. In this regard, 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 assessing 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 economic activity of the counterparty, the Group assigns to the transaction a probability of default (PD) on the obligations incurred and/or to be incurred.

As required by the Group's credit risk monitoring 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 in a shorter time horizon in the event of any significant alert in transactions and/or variation in any of the factors that may affect its status. For borrowers / economic groups with risk below Euros 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 and that they have not suffered a decrease in the movement received of more than 35% compared to the same period of the previous year and at the same time they do not present a balance of liabilities or investments at least equal to their risk.

The validation of ratings will be the responsibility of various directors based on the level of approval of the transaction, following the indications of the credit risk monitoring policy.

Furthermore, in accordance with the credit risk admission policy:

- 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 measures 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.
- 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.
- The Senior Credit Committee resolves the lending transaction 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 transactions, it is under the continuous supervision of the Board of Directors.

It also resolves and submits for authorisation to the Board of Directors, credit facility proposals requested by:

- Shareholders with a stake equal to or more than 5% directly and/or indirectly in its share capital, and persons and companies that form part of its economic group.
- The Group's related parties.

It also authorises, as delegated by the Board of Directors:

- Transactions requested by shareholders with a stake of less than 5% and persons and companies forming part of its economic group.
- Transactions requested by the Group's investees.
- Working capital financing transactions requested by shareholders with a stake equal to or more than 5% and the persons and companies that form part of their economic group, as well as those requested by the Group's related parties, when the following conditions are met:
 - The prevailing accumulated maximum amount of the transactions subject to this delegation will be the lower of the 3% of the total exposure with the customer or economic group or Euros 150 thousand.
 - The purpose of the transaction will be exclusively to finance working capital and/or consumption, duly documented, in a maximum period of 12 months.
- The Board of Directors authorises those 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 the Group's related parties.

On a regular basis, the Monitoring Unit 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

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 2024 and 2023.

31.12.24 In thousands of Euros	Loans and advances				Commitments and guarantees				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Rating 10 & 9	552,344	-	-	552,344	205,972	-	-	205,972	758,316	-	-	758,316
Rating 8 & 7	1,720,083	12,417	-	1,732,500	535,475	1,127	-	536,602	2,255,558	13,544	-	2,269,102
Rating 6	99,346	323,741	-	423,087	10,431	1,011	-	11,442	109,777	324,752	-	434,529
Rating 5 & 4	23	754	-	777	-	84	-	84	23	838	-	861
Rating 3, 2 & 1	26	151	-	177	-	1	-	1	26	152	-	178
Default	-	-	72,842	72,842	-	-	2,322	2,322	-	-	75,164	75,164
No rating	78	327	-	405	-	30	-	30	78	357	-	435
Gross carrying amount	2,371,900	337,390	72,842	2,782,132	751,878	2,253	2,322	756,453	3,123,778	339,643	75,164	3,538,585
Credit risk hedging	-38,054	-48,913	-28,351	-115,318	-496	-61	-139	-696	-38,550	-48,974	-28,490	-116,014
Net carrying amount	2,333,846	288,477	44,491	2,666,814	751,382	2,192	2,183	755,757	3,085,228	290,669	46,674	3,422,571

31.12.23 In thousands of Euros	Loans and advances				Commitments and guarantees				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Rating 10 & 9	505,547	492	-	506,039	189,719	117	-	189,836	695,266	609	-	695,875
Rating 8 & 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 & 4	80	4,562	-	4,642	-	229	-	229	80	4,791	-	4,871
Rating 3, 2 & 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 carrying amount	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 carrying amount	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

The table below shows details of loan investments by product segment in terms of risk and including the balance of commitments and guarantees given to customers as at 31 December 2024 and 2023. The risk associated with Government-backed loans due to the COVID-19 pandemic is under the "Central banks and general governments" segment and has been mitigated in accordance with this counterparty.

31.12.24 In thousands of Euros	Loans and advances				Commitments and guarantees				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Central banks and general governments	38,845	-	-	38,845	36,179	-	-	36,179	75,024	-	-	75,024
Other public bodies and semi-public bodies	39,878	-	-	39,878	8,333	-	-	8,333	48,211	-	-	48,211
Financial corporations	289,641	43	130	289,814	105,196	15	10	105,221	394,837	58	140	395,035
Other corporations	1,322,630	109,326	67,863	1,499,819	390,377	1,006	2,307	393,690	1,713,007	110,332	70,170	1,893,509
Exposures secured by first home/commercial mortgages	368,120	115,828	3,462	487,410	13,782	167	-	13,949	381,902	115,995	3,462	501,359
Exposures secured by mortgages on land	7,840	14,311	-	22,151	-	-	-	-	7,840	14,311	-	22,151
Retail - SME	16,659	399	642	17,700	5,093	62	5	5,160	21,752	461	647	22,860
Retail leverage	28,559	83	13	28,655	27,582	-	-	27,582	56,141	83	13	56,237
Retail others	104,322	1,584	732	106,638	49,647	131	-	49,778	153,969	1,715	732	156,416
Speculative financing real estate	139,927	95,816	-	235,743	91,323	872	-	92,195	231,250	96,688	-	327,938
Financing venture capital and alternatives	15,479	-	-	15,479	24,366	-	-	24,366	39,845	-	-	39,845
Gross carrying amount	2,371,900	337,390	72,842	2,782,132	751,878	2,253	2,322	756,453	3,123,778	339,643	75,164	3,538,585
Credit risk hedging	-38,054	-48,913	-28,351	-115,318	-496	-61	-139	-696	-38,550	-48,974	-28,490	-116,014
Net carrying amount	2,333,846	288,477	44,491	2,666,814	751,382	2,192	2,183	755,757	3,085,228	290,669	46,674	3,422,571

31.12.23 In thousands of Euros	Loans and advances				Commitments and guarantees				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Central banks and general 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 corporations	211,857	1,887	261	214,005	83,926	1,091	10	85,027	295,783	2,978	271	299,032
Other corporations	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 carrying amount	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 carrying amount	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



Transaction guarantee level

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

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 transaction 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 transactions, 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 transaction, 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 transactions, the Group's policy is to increase the risk premium for the transaction 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 2024 and 2023 by loan-to-value (LTV) ratio and type.

31.12.24 In thousands of Euros	Loans and advances				Monetary guarantee 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%	182,672	97,848	6,647	287,167	46,028	1,968	-	47,996	62,229	61,981	6,076	130,286
LTV >= 80%	188,109	17,831	1,512	207,452	131,743	32	-	131,775	68,718	20,166	1,655	90,539
LTV >= 50%	539,841	195,746	41,263	776,850	375,408	388	-	375,796	500,193	336,294	67,619	904,106
LTV >= 25%	649,441	16,267	6,597	672,305	547,086	7	-	547,093	1,247,341	47,623	13,890	1,308,854
LTV < 25%	258,563	8,029	1,104	267,696	1,220,283	-	-	1,220,283	1,396,491	88,848	7,408	1,492,747
Personal guarantee	553,274	1,669	15,719	570,662	-	-	-	-	-	-	-	-
Gross value	2,371,900	337,390	72,842	2,782,132	2,320,548	2,395	-	2,322,943	3,274,972	554,912	96,648	3,926,532

31.12.23

In thousands of Euros	Loans and advances				Monetary guarantee 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%	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

The segment of transactions with personal guarantees includes exposures to public administrations and semi-public entities, which at 31 December 2024 amounted to Euros 40,645 thousand (Euros 51,754 thousand at 31 December 2023).

Term of the transaction

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

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

For more information on the terms of transactions included under "Customer loans and advances", see note 5.3.1.

Transaction price

The price must cover the total cost and risks associated with the transaction and leave the target profit for the transaction 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 transactions. 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 transactions 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 on the 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:
 - Euros 10 million, or
 - 5% individual own funds for solvency purposes, taking into account the regulations in force at all times.
 - A transaction in Stage 2 or Stage 3, when its gross carrying amount exceeds Euros 1 million.

The Bank considers 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 can 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 analyses 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 transactions.
- 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.

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 following point below) and for interest recognition (see note 2.10.1.).

Movement in loans and advances to customers by type during 2024 and 2023 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
Carrying amount at 31.12.23	2,254,632	387,931	84,836	2,727,399	722,620	11,169	3,194	736,983
Change of stage								
Transfer from Stage 1 to 2	-2,007	2,007	-	-	-162	162	-	-
Transfer from Stage 2 to 3	-	-1,046	1,046	-	-	-15	15	-
Transfer from Stage 3 to 2	-	258	-258	-	-	-	-	-
Transfer from Stage 2 to 1	23,254	-23,254	-	-	6,621	-6,621	-	-
Net origination	96,574	-28,506	-611	67,457	22,799	-2,442	-887	19,470
Foreclosures and assignments	-	-	-6,000	-6,000	-	-	-	-
Recognition of write-offs	-	-	-6,171	-6,171	-	-	-	-
Other movements	-553	-	-	-553	-	-	-	-
Carrying amount at 31.12.24	2,371,900	337,390	72,842	2,782,132	751,878	2,253	2,322	756,453

In thousands of Euros	Loans and advances				Commitments and guarantees			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Carrying amount 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	-	-	-	-
Carrying amount at 31.12.23	2,254,632	387,931	84,836	2,727,399	722,620	11,169	3,194	736,983

Estimation of impairment of transactions 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 default 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 repayment 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 repayment 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 benchmark standard for calculating 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 and customer segmentation.

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 transaction. 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 consideration 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 performance 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, the average NPL ratio observed from the last three years is used, whilst obtaining the PD PiT. In relation to Stage 2 and Stage 3, the scenarios referred to above 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, Eurostat, etc.)
- Forecasts of economic and financial variables relevant to generate the scenarios considered. The historical series for Andorran real GDP, and the GDP forecasts published by the Andorran Department of Statistics and Eurostat have been considered with a time horizon of three 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	2024	1.90%	1.84%	2.73%
	2025	2.10%	-1.28%	3.48%
	2026	1.70%	-2.24%	5.35%

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 applying 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 applying 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 conducting its business that will enable it to repay the debt. It should be noted 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 conducting 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 of combining 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 performing exposures is methodologically different from that described in the previous point, as expected credit losses are calculated over 12 months, unlike Stage 2 and Stage 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 not including them would be similar given the time horizon of only 12 months. In general, the methodology used is based on the expert criteria of the analyst, as their exhaustive and in-depth knowledge of the financial situation of the borrower means that the parameters arising from the collective model can be adjusted more specifically.

Below is a breakdown of the customer loans and advances, together with 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		Customer commitments and guarantees given		Total customers	
	31.12.24	31.12.23	31.12.24	31.12.23	31.12.24	31.12.23
Performing (Stages 1 and 2)						
Central banks and general governments	38,845	50,037	36,179	32,199	75,024	82,236
Other public bodies and semi-public bodies	39,878	50,829	8,333	11,557	48,211	62,386
Financial corporations	289,684	213,744	105,211	85,017	394,895	298,761
Other corporations	1,431,956	1,410,020	391,383	389,201	1,823,339	1,799,221
Exposures secured by first home/commercial mortgages	483,948	478,616	13,949	15,076	497,897	493,692
Exposures secured by mortgages on land	22,151	59,484	-	1,418	22,151	60,902
Retail - SME	17,058	20,328	5,155	5,067	22,213	25,395
Retail leverage	28,642	29,036	27,582	23,617	56,224	52,653
Retail others	105,906	100,000	49,778	29,918	155,684	129,918
Speculative financing real estate	235,743	217,875	92,195	125,418	327,938	343,293
Financing venture capital and alternatives	15,479	12,594	24,366	15,301	39,845	27,895
Gross value	2,709,290	2,642,563	754,131	733,789	3,463,421	3,376,352
Credit risk hedging	-86,967	-90,727	-557	-678	-87,524	-91,405
Net value	2,622,323	2,551,836	753,574	733,111	3,375,897	3,284,947
Non-performing (Stage 3)						
<= 30 days	1,460	1,148	2,322	3,194	3,782	4,342
<= 60 days	-	4	-	-	-	4
<= 90 days	10	599	-	-	10	599
<= 180 days	205	2,286	-	-	205	2,286
<= 365 days	1,723	578	-	-	1,723	578
> 365 days	69,444	80,221	-	-	69,444	80,221
Gross value	72,842	84,836	2,322	3,194	75,164	88,030
Credit risk hedging	-28,351	-36,567	-139	-368	-28,490	-36,935
Net value	44,491	48,269	2,183	2,826	46,674	51,095
Total	2,666,814	2,600,105	755,757	735,937	3,422,571	3,336,042

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 Banking 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 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 regular 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 transactions

These transactions 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 transaction has been changed, cancelled or a new transaction has been arranged.

As a general rule, refinanced or restructured transactions and new transactions are classified in the category of performing with increased risk. However, taking into account the specific characteristics of the transactions, 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 transactions that have been refinanced and that, at 31 December 2024 and 2023, have not been remedied amounts to Euros 218,909 thousand and Euros 229,392 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 in 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 Department.

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 and 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

Movement in provisions for impairment of financial assets granted to customers at 31 December 2024 and 2023 is as follows:

In thousands of Euros	Loans and advances				Commitments and guarantees			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Credit risk hedging at 31.12.23	-28,304	-62,423	-36,567	-127,294	-545	-133	-368	-1,046
Movements with impact on net allowances	-10,295	13,510	2,341	5,556	59	72	229	360
Changes in stages								
Transfer from Stage 1 to 2	6	-6	-	-	1	-1	-	-
Transfer from Stage 2 to 3	-	310	-310	-	-	2	-2	-
Transfer from Stage 3 to 2	-	-18	18	-	-	-	-	-
Transfer from Stage 2 to 1	-2,144	2,144	-	-	-25	25	-	-
Changes to models (alternative solutions, updates to assumptions, methodologies, etc.)	-9,506	6,746	2,760	-	-	-	-	-
Net origination and changes to estimates	1,349	4,334	-127	5,556	83	46	231	360
Movements with impact on financial margin	-	-	-278	-278	-	-	-	-
Impact on recognition of interest Stage 3 (see note 2.10.1)	-	-	-278	-278	-	-	-	-
Movements with no change in profit or loss	545	-	6,153	6,698	-10	-	-	-10
Foreclosures and assignments	-	-	-	-	-	-	-	-
Recognition of write-offs	-	-	6,171	6,171	-	-	-	-
Other movements	545	-	-18	527	-10	-	-	-10
Credit risk hedging at 31.12.24	-38,054	-48,913	-28,351	-115,318	-496	-61	-139	-696

In thousands of Euros	Loans and advances				Commitments and guarantees			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Credit risk hedging at 31.12.22	-8,759	-56,611	-67,243	-132,613	-1,338	-878	-603	-2,819
Movements with impact on net allowances	-19,549	-5,811	30,033	4,673	793	745	235	1,773
Changes in stages								
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, methodologies, 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 with impact on 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 or 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 hedging at 31.12.23	-28,304	-62,423	-36,567	-127,294	-545	-133	-368	-1,046

5.2.1.3. Key figures

At 31 December 2024 and 2023, the NPL ratio was 2.62% and of 3.11% respectively (2.12% and 2.54% including customer commitments and guarantees given). At 31 December 2024 and 2023, the coverage ratio of provisions to non-performing assets was 38.92% and 43.10%, respectively (37.90% and 41.96% 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, stood at 158.31% at 31 December 2023 (150.05% at 31 December 2023).

5.2.1.4. Sector and geographic concentration

The Creand Group monitors credit risk concentration. Details of loan investment by economic sector and geographical area at 31 December 2024 and 2023 are shown below.

In thousands of Euros	Loans and advances to customers		Of which in default		Coverage for credit risk	
	31.12.24	31.12.23	31.12.24	31.12.23	31.12.24	31.12.23
Concentration by sector						
Public sector	26,171	32,599	-	-	-68	-95
Financial corporations	300,402	235,439	1,199	566	-678	-408
Non-financial corporations	1,667,587	1,591,796	66,801	66,360	-89,064	-93,302
Agriculture, livestock and fisheries	5,803	2,545	1	1	-9	-4
Extractive industries	1	4	-	-	-	-
Manufacturing industry	53,647	22,136	-	-	-327	-445
Construction	285,157	271,163	6,515	6,718	-23,523	-27,276
Wholesale and retail trade	262,969	253,327	18,022	17,606	-8,935	-8,967
Transport and storage	17,274	20,173	-	8	-68	-93
Hospitality	55,748	59,524	4,495	4,391	-1,514	-1,481
Information and communications	21,032	20,830	13	-	-18	-12
Real estate activities	404,981	391,599	28,264	28,187	-12,777	-12,964
Professional activities	259,683	268,031	9,391	9,274	-5,942	-5,836
Public administration and social security	14,474	19,154	-	-	-26	-22
Education	5,798	5,251	-	-	-22	-33
Healthcare activities and social services	4,418	3,502	1	-	-19	-12
Artistic and recreational activities	76,959	69,815	-	-	-58	-60
Other services	199,643	184,742	99	175	-35,826	-36,097
Households	787,972	867,565	4,842	17,910	-25,508	-33,489
Total exposure by sector	2,782,132	2,727,399	72,842	84,836	-115,318	-127,294
Geographical concentration						
Andorra	2,071,211	2,082,610	70,524	82,356	-114,827	-126,297
Spain	366,948	328,960	2,169	2,119	-352	-418
France	3,939	5,106	-	-	-2	-48
Other countries in the Euro Zone	86,101	89,747	130	265	-95	-497
Other European countries	14,609	4,577	1	-	-7	-3
Latin America and the Caribbean	188,034	157,045	7	1	-15	-13
Other	51,290	59,354	11	95	-20	-18
Total exposure by region	2,782,132	2,727,399	72,842	84,836	-115,318	-127,294

5.2.1.5. Update on macroeconomic scenarios

The declaration of the COVID-19 pandemic in 2020 and the measures adopted, with restrictions on 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 2024 and/or 2023 (also see note 48.3).

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 Entity's soft loans, are performing and 100% guaranteed by the Government of Andorra. Below is a breakdown of the outstanding government-backed transactions at 31 December 2024 and 2023:

31.12.2024

In thousands of Euros	Number of transactions	Amount granted	Amount outstanding risk	Average maturity date
Non-financial corporations	335	64,387	38,080	19.10.27
Agriculture, livestock and fisheries	-	-	-	-
Extractive industries	-	-	-	-
Manufacturing industry	14	541	287	20.9.27
Construction	27	3,515	1,992	5.8.27
Wholesale and retail trade	102	32,111	19,214	5.1.28
Transport and storage	19	5,359	3,396	8.2.28
Hospitality	62	5,403	2,886	11.5.27
Real estate activities	69	5,728	3,270	16.5.27
Public administration and social security	2	1,177	752	1.4.29
Education	9	386	143	20.3.27
Healthcare activities and social services	6	294	174	26.12.27
Other services	25	9,873	5,966	16.5.27
Households	9	997	622	11.6.27
Total outstanding transactions	344	65,384	38,702	7.10.27

31.12.2023

In thousands of Euros	Number of transactions	Amount granted	Amount outstanding risk	Average maturity date
Non-financial corporations	420	67,064	49,091	28.5.27
Agriculture, livestock and fisheries	-	-	-	-
Extractive industries	-	-	-	-
Manufacturing industry	17	682	467	1.9.27
Construction	44	3,904	2,686	28.6.26
Wholesale and retail trade	128	33,466	24,713	12.7.27
Transport and storage	20	5,373	4,134	29.11.27
Hospitality	82	5,918	4,016	15.11.26
Real estate activities	76	5,882	4,286	1.4.27
Public administration and social security	2	1,177	909	1.4.29
Education	10	390	234	4.1.27
Healthcare activities and social services	8	325	230	20.4.27
Other services	33	9,947	7,416	9.10.26
Households	9	997	762	11.6.27
Total outstanding transactions	429	68,061	49,852	29.5.27

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 the price of commodities 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 scenarios of uncertainty, the Entity decided during 2023 to adjust the level of provisions, in an exercise to be able to anticipate possible future risks within the credit portfolio, following the recommendations of the European Central Bank in its publication *Overlays and in-model adjustments: identifying best practices for capturing novel risks*.

During 2024, in the publications IFRS 9 Overlays and model improvements for novel risks - Identifying best practices for capturing novel risks in loan loss provisions, July 2024, and Supervisory priorities 2025-27, December 2024, the European Central Bank highlights, once again, the upward trend of European banks regarding the use of overlays as the best alternative to the difficulty of capturing new risks through a statistical model, due to the lack of historical information and, therefore, the impossibility of modelling them using traditional expected loss models. Furthermore, it is highlighted that the Basel Committee on Banking Supervision will continue to monitor the ability of entities to identify deterioration in asset quality and apply appropriate provisioning practices, focusing on the use of overlays and the coverage of emerging risks.

At the 2024 reporting date the Entity has established an overlay of Euros 35.5 million (Euros 35.5 million in 2023), representing 30.6% of its total provisions (27.8% in 2023), details of which are in the following table for 2024 and 2023.

31.12.2024			
In thousands of Euros	Collective	Individual	Total
Stage 1	15,444	16,279	31,723
Stage 2	161	2,555	2,716
Stage 3	45	1,040	1,085
Total	15,650	19,874	35,524

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

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 2024 and 2023, according to the credit quality of the counterparty.

In thousands of Euros	At amortised cost	
	31.12.24	31.12.23
Between AAA and AA--	247,000	192,025
Between A+ and BBB	413,503	234,986
BBB-	71,277	2,551
Between BB+ and B+	-	-
Between B and CCC	-	-
D	-	-
N/A	3,939	1,308
Gross carrying amount	735,719	430,870
Credit risk hedging	-	-
Net carrying amount	735,719	430,870

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 2024 and 2023, the Group has no past due or unpaid positions with credit institutions.

At 31 December 2024 and 2023, the Group recognises its total exposure to credit institutions as performing exposure (Stage 1).

The table below shows the composition of the balance with debt securities at 31 December 2024 and 2023, according to the credit quality of the issuer and the valuation model in which they appear in the statement of financial position.

In thousands of Euros	At amortised cost		Fair value through other comprehensive income		Fair value through profit or loss		Total	
	31.12.24	31.12.23	31.12.24	31.12.23	31.12.24	31.12.23	31.12.24	31.12.23
Between AAA and AA--	490,054	552,332	122,381	149,026	14,588	10,303	627,023	711,661
Between A+ and BBB	1,027,990	931,196	117,523	105,345	109,172	107,953	1,254,685	1,144,494
BBB-	-	33,964	25,208	24,605	20,651	13,703	45,859	72,272
Between BB+ and B+	-	-	-	3,783	4,038	47,486	4,038	51,269
Between B and CCC	-	-	-	-	-	10,863	-	10,863
D	-	-	-	-	-	-	-	-
N/A	-	-	-	1,831	132,931	62,929	132,931	64,760
Gross carrying amount	1,518,044	1,517,492	265,112	284,590	281,380	253,237	2,064,536	2,055,319
Credit risk hedging	-537	-585	-	-	-	-	-537	-585
Net carrying amount	1,517,507	1,516,907	265,112	284,590	281,380	253,237	2,063,999	2,054,734

At 31 December 2024 and 2023, the debt securities portfolio does not include any past due or unpaid positions.

At 31 December 2024 and 2023, the Group recognises its total debt securities portfolio as performing (Stage 1).

The balance of the debt securities portfolio at 31 December 2024 and 2023, with a rating of A-, includes the debt of the Government of Andorra, for an amount of Euros 166,591 thousand and Euros 164,777 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 credit 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 credit 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 2024 and 2023.

In thousands of Euros	31.12.24	31.12.23
Geographical concentration		
UK	230,886	-
France	-	52,802
Spain	124,411	181,960
Germany	9,809	-
Luxembourg	250,942	192,023
Other	119,671	4,085
Total	735,719	430,870

Below is a breakdown of the debt securities portfolios by economic sector and geographical area at 31 December 2024 and 2023:

In thousands of Euros	Debt securities		Credit risk hedging	
	31.12.24	31.12.23	31.12.24	31.12.23
Concentration by sector				
Public sector	1,741,228	1,764,619	-533	-585
Credit institutions and other financial institutions	144,981	171,630	-4	-
Non-financial corporations	178,327	119,070	-	-
Total exposure by sector	2,064,536	2,055,319	-537	-585
Geographical concentration				
Italy	578,418	554,300	-452	-436
Spain	574,899	521,703	-50	-56
USA	536,323	616,900	-	-
Andorra	168,617	167,107	-28	-91
UK	48,083	47,630	-	-
France	32,022	30,711	-	-
Luxembourg	27,688	20,611	-	-
Germany	25,823	23,512	-7	-
Belgium	20,468	21,309	-	-
Other	52,195	51,536	-	-2
Total exposure by geography	2,064,536	2,055,319	-537	-585

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 loan losses 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

Movement in provisions for impairment of loans and advances to credit institutions and debt securities during the years ended 31 December 2024 and 2023 is as follows.

In thousands of Euros	31.12.23	Net allowances	Exchange rate differences and others	31.12.24
Loans and advances to credit institutions	-	-	-	-
Debt securities	-585	48	-	-537
Total hedges	-585	48	-	-537

In thousands of Euros	31.12.22	Net allowances	Exchange rate differences and others	31.12.23
Loans and advances to credit institutions	-	-	-	-
Debt securities	-653	94	-26	-585
Total hedges	-653	94	-26	-585

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 at 31 December 2024 and 2023.

In thousands of Euros	Nominal amount		Gross amount		Net collateral (CSA)		Net exposure	
	2024	2023	2024	2023	2024	2023	2024	2023
Held-for-trading assets	2,783,685	1,860,616	55,389	40,641				
Hedging assets	348	6,291	4	209				
Gross carrying amount – Assets	2,784,033	1,866,907	55,393	40,850				
Held-for-trading liabilities	-3,138,296	-1,904,803	-54,692	-41,484				
Hedging liabilities	-42,819	-45,841	-1,491	-1,121				
Gross carrying amount – Liabilities	-3,181,115	-1,950,644	-56,183	-42,605				
Total net exposure	-397,082	-83,737	-790	-1,755	20,950	-5,800	20,160	-7,555

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.

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 making 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 carry out 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 outlook, 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, excluding, where applicable, valuation adjustments and impairment:

In thousands of Euros	Carrying amount	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
31 December 2024						
Financial assets (inflows)						
Cash, cash balances in central banks and other demand deposits	444,522	444,522	-	-	-	-
Loans and receivables	3,402,533	995,291	201,265	794,815	913,684	497,478
Credit institutions	735,719	726,093	9,626	-	-	-
Customers	2,666,814	269,198	191,639	794,815	913,684	497,478
Debt securities	2,063,999	83,142	114,693	502,736	936,388	427,040
Derivatives	55,393	19,367	24,181	3,860	184	7,801
Carrying amount	5,966,447	1,542,322	340,139	1,301,411	1,850,256	932,319
Financial liabilities (outflows)						
Central bank deposits and AFA	171,790	57,461	18,432	95,897	-	-
Credit institution deposits	101,073	101,073	-	-	-	-
Customer deposits	4,943,122	2,455,986	526,774	665,507	708,213	586,642
Debt securities at amortised cost	50,750	-	-	-	-	50,750
Financial liabilities at fair value	316,160	22,553	90,415	122,839	78,569	1,784
Financial liabilities at amortised cost	63,417	124	1,032	6,222	24,806	31,233
Other financial liabilities	6,026	9	-	-	-	6,017
Derivatives	56,183	20,275	23,164	3,736	241	8,767
Carrying amount	5,708,521	2,657,481	659,817	894,201	811,829	685,193

In thousands of Euros	Carrying amount	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
Carrying amount	5,475,681	872,484	249,453	1,225,894	2,095,147	1,032,703
Financial liabilities (outflows)						
Central bank deposits and AFA	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
Carrying amount	5,245,127	453,899	562,366	1,177,226	2,835,920	215,716

The maturity of demand accounts has been distributed according to internal behavioural models. This information is consistent with that 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 a wide 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, at 31 December 2024 and 2023, 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 2024					
Level 1	366,944	1,979,430	2,346,374	0%	1,979,430
Level 2A	-	-	-	15%	-
Level 2B	5,410	14,989	20,399	50%	7,495
Total assets	372,354	1,994,419	2,366,773	0.38%	1,986,925

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

The level of available liquid assets and the average haircut of 0.38% at 31 December 2024 (0.66% at 31 December 2023) 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 2018 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 2024 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 2024 and 2023.

	31.12.24	31.12.23
LCR	168.49%	155.92%
NSFR	144.53%	139.01%

5.4. Market risk management

Market risk arises as a consequence of transactions 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 reflects 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 structure of global 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)

The table below shows the exposures of assets and liabilities subject to market risk in the trading and non-trading portfolios at 31 December 2024 and 2023.

In thousands of Euros	Carrying amount	Trading portfolio	Non-trading portfolio
31 December 2024			
Assets subject to market risk	758,864	69,524	689,340
Derivatives	55,393	55,389	4
Other	703,471	14,135	689,336
Liabilities subject to market risk	372,352	54,692	317,660
Derivatives	56,183	54,692	1,491
Other	316,169	-	316,169

In thousands of Euros	Carrying amount	Trading portfolio	Non-trading portfolio
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

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.

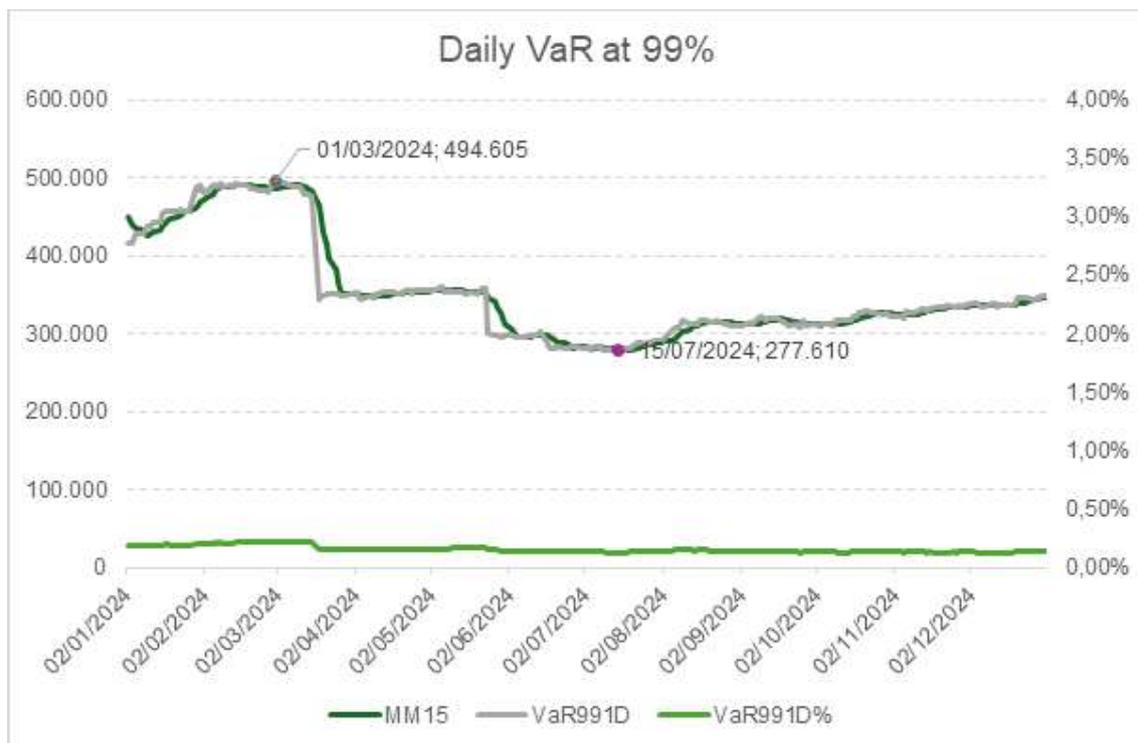
The Bank's VaR calculation method is historical simulation, which calculates the impact on the value of the current portfolio of historical changes in risk factors, taking into account the variations over the last 250 days and a one-day time horizon.

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 a rise 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 2024.



A summary of the 1-day VaR with a confidence level of 99% in the trading book at 31 December 2024 and 2023 is shown below.

In thousands of Euros	VaR		Average		Maximum		Minimum	
	2024	2023	2024	2023	2024	2023	2024	2023
Exchange rate risk	-	-	-	-	-	-	-	-
Interest rate risk	-	-	-	-	-	-	-	-
Credit risk	350	413	354	517	494	657	277	356
Equity risk	1	88	2	98	23	115	-	78
Other	24	257	7	163	27	262	5	116
Diversification effect	-26	-299	-9	-197	N/A	N/A	N/A	N/A
Total	349	459	354	581	495	693	278	453

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 impact 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 and Corporate Services 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. Static measurements do not assume new business assumptions and seek to measure risk at a specific point in time. On the other hand, dynamic measurements are based on the assumption that all balance sheet positions are renewed upon maturity, projecting future results.

- The metrics analysed in the scenarios used are sensitivity of the financial margin and of economic value. Financial margin sensitivity is a dynamic metric focusing on the short and medium term, while economic value sensitivity, being a static metric, 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 regarding 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 Group's internal and external audit, which applies best market practices and sets risk thresholds on the related metrics.

In the case of the economic value sensitivity metric, which measures the impact on the economic value of balance sheet items vis-a-vis variations in interest rates, the Group has implemented the assumptions derived from the Guidelines on the management of interest rate risk in non-trading activities (EBA/GL/2022/14), Delegated Regulation (EU) 2024/856, Delegated Regulation (EU) 2024/857 and the BIS Interest Rate Risk in the Banking Book (IRRBB) principles, which consider, in summary:

- 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 scenarios of a decline of -150 basis points (bp) for immediate maturities; the floor increases 3 bp per year up to 0% for maturities of 50 years and more.
- The application of different shocks depending on the currency in order to capture heterogeneous economic environments across jurisdictions. In each scenario, the impacts of the different currencies are added on a straight-line basis, weighting those currencies that generate a positive increase in the metric by 50%.
- The adjustment for the remuneration of unstable demand balances considering the assumptions of behaviour under different interest rate fluctuation scenarios.
- Calculation of the metric on Tier 1 capital.

The sensitivity on the financial margin measures the possible impact of a variation in interest rates on net interest income, affecting the Group's profitability. The Group has implemented the assumptions deriving from existing European guidelines, which are equivalent to those of the economic value sensitivity but with considering two scenarios, the parallel shock up and the parallel shock down. The result of the metric is expressed on Tier 1 capital.

The economic value and financial margin sensitivities to shifts in the interest rate yield curve at 31 December 2024 and 31 December 2023 are as follows.

In thousands of Euros	Economic value sensitivity		Financial margin sensitivity	
	31.12.24	31.12.23	31.12.24	31.12.23
Parallel shock up scenario	-0.9%	2.6%	1.4%	12.2%
Parallel shock down scenario	-0.5%	-5.2%	-3.4%	-12.3%
Steeper shock scenario	1.0%	-2.6%	-	-
Flattener shock scenario	-1.8%	0.9%	-	-
Short rates shock up scenario	-3.9%	1.5%	-	-
Short rates shock down scenario	2.4%	-5.6%	-	-

Furthermore, the Group monitors the static gap of the distribution of maturities and interest rate revisions at a given date. For the positions without contractual maturity, their sensitivity to interest rate movements is analysed, together with their granularity and stability, considering the implicit option of early cancellation of some products by the customer.

Based on market outlook and the above metrics, financial measures may be necessary to align with the defined risk profile such as natural hedges between asset and liability pools or hedges through interest rate derivatives.

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 stands at Euros 5,000 thousand.

Below is the open position in the main currencies to which the Group has exposure (equivalent value in Euros), calculated on both spot and forward transactions at the 2024 and 2023 reporting dates.

Open position (in thousands of Euros)	31.12.24	31.12.23
USD	425	248
SGD	77	60
GBP	47	510

5.7. Operational risk

Pursuant to the criterion established by the Basel Committee on Banking Supervision, the Creand Group 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 such risks, the Group has decided to actively manage its operational risk by establishing the following management objectives:

- Identifying the exposures to operational risk in all entities that are part of the Creand Group and in all their processes.
- Assessing 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.
- Managing operational risks by defining plans for improvement and mitigation.
- Performing 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 performance 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 performance 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 such methodologies.
- Leading the process of self-assessing operational risk and compiling 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 defining 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 progress.

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.

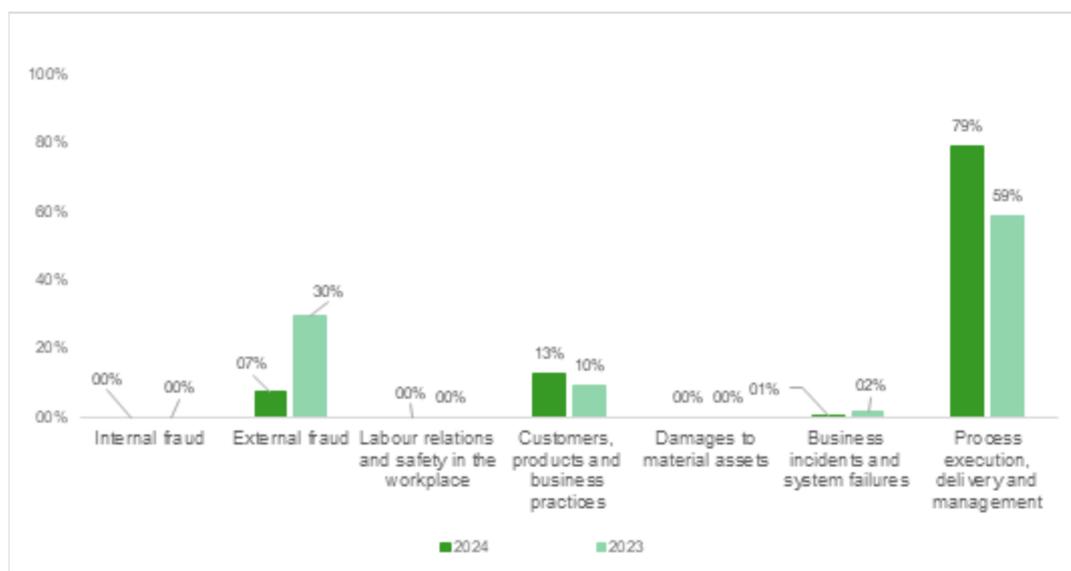
5.7.2. Tools and methodologies for managing operational risk

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 created an internal database that includes the events involving losses due to operational risk. This database is a quantitative tool that allows an 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 Creand Group.

During 2024 and 2023, 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 by identifying 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 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 defining 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. During 2024 the Bank has conducted a complete review of the map of processes, operational risks and controls, covering the Creand Group's banking activity (Crédit Andorra 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 operational risk and allows entities to adhere to 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 carries out bottom-up and top-down reporting on the operational 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:

- Compliance risk 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 and the financial sector.
- 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 Entity 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 Regulatory 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 compliance and conduct risks through a committee structure designed by senior management to address these risks: Executive Committee; Assets, Liabilities and Risks Committee; Strategy Committee; Senior Credit Committee; Information Security 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, notices and guidelines of Andorran and international supervisors, 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 procedures and other internal regulations 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 Entity's services and of those participants in the Andorran financial system, 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 prevailing law and/or Entity'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 Entity's framework for action, which to date are as follows:

- The Creand Group Code of Ethics.
- Internal regulations of conduct in securities markets of Crèdit Andorrà, SA
- Policy for managing Crèdit Andorrà, SA's conflicts of interest.
- Policy for regulatory compliance and verification of MIFID compliance.
- Policy on anti-money laundering and counter-terrorist financing.
- Asset protection policy.

The compliance function reports to the Audit and Risk Committee on a regular basis, through the Entity's head of Regulatory Compliance and Anti-Money Laundering, 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 compliance risk with regard to 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 Entity'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 main objectives of the monitoring and advisory activities to be carried out, leading, inter alia, to the drawing up of an action plan for the year.
- Promoting and developing a culture of compliance by drafting 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 Regulatory Compliance and Anti- Money Laundering.

Finally, the function has also participated in the Entity's following projects:

- Responsible Banking - UNEP FI.
- Project implementing Law 7/2024 of 27 May 2024 containing MIFID II- MIFIR

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 anti-money laundering and counter-terrorist financing policy on the following lines of action:

- Having a suitable structure in terms of the organisation, human resources and materials sufficient for anti-money laundering and counter-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 anti-money laundering and counter-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 also 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 associated 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 anti-money laundering and counter-terrorist financing 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 engaged 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 anti-money laundering and counter-terrorist financing.

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 anti-money laundering and counter-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 anti-money laundering, as well as the measures taken to combat any shortcomings in the Entity's compliance with its obligations.
- Verifying the ongoing and effective compliance with the Entity's obligations, its directors, general management and personnel, in accordance with Andorran law on anti-money laundering and counter-terrorist financing and applicable internal regulations.
- Advising Creand's governing bodies on anti-money laundering and counter-terrorist financing, in particular on measures 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. Money Laundering Unit

This unit forms part of the Regulatory Compliance and Anti-Money Laundering Department and is specialised in anti-money laundering and counter-terrorist financing. It performs the functions assigned by the head of the function 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 counter-terrorist financing, 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 anti-money laundering and counter-terrorist financing throughout the organisation. Within this framework, it has prepared and delivered the refresher and continuous training course on this topic for the Entity 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 Entity, 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 anti-money laundering and counter-terrorist financing within the Entity.

In 2024, the Unit has focused its efforts on the following areas:

- Updating the Policy on the Anti-Money Laundering and Counter-Terrorist Financing.
- Reinforcing customer monitoring controls, risk jurisdictions and control of subsidiaries.
- Participating in different in-house business development projects to set up 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.
- Incorporating professional profiles that will help to make the Unit's tasks more dynamic and enable it to tackle projects related to IT tools and those related to initiatives to expand the scope of control.

6. Fair value of financial instruments

6.1. Introduction and general 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 carrying amount at 31 December 2024 and 2023 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.

31.12.2024							
In thousands of Euros		Note	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets held for trading	9		69,524	69,524	10,847	57,392	1,285
Derivatives			55,389	55,389	-	55,389	-
Equity instruments			2,660	2,660	2,375	-	285
Debt securities			11,475	11,475	8,472	2,003	1,000
Loans and advances			-	-	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss			141,829	141,829	109,422	-	32,407
Equity instruments			140,329	140,329	109,422	-	30,907
Debt securities			-	-	-	-	-
Loans and advances			1,500	1,500	-	-	1,500
Financial assets designated at fair value through profit or loss	10		269,905	269,905	167,549	99,492	2,864
Debt securities			269,905	269,905	167,549	99,492	2,864
Other			-	-	-	-	-
Financial assets at fair value through other comprehensive income	11		277,602	277,602	264,542	570	12,490
Equity instruments			12,490	12,490	-	-	12,490
Debt securities			265,112	265,112	264,542	570	-
Financial assets at amortised cost	12		4,918,540	4,856,603	1,444,990	8,603	3,403,010
Loans and advances			3,401,033	3,403,010	-	-	3,403,010
Credit institutions			735,719	735,719	-	-	735,719
Customers			2,665,314	2,667,291	-	-	2,667,291
Debt securities			1,517,507	1,453,593	1,444,990	8,603	-
Hedging derivatives	14		4	4	-	4	-
Total assets			5,677,404	5,615,467	1,997,350	166,061	3,452,056
Financial liabilities held for trading	9		54,692	54,692	-	54,554	138
Derivatives			54,692	54,692	-	54,554	138
Financial liabilities designated at fair value through profit or loss	10		316,169	316,169	-	316,169	-
Financial liabilities at amortised cost	19		5,336,178	5,336,178	-	-	5,336,178
Central bank deposits and AFA			171,790	171,790	-	-	171,790
Credit institution deposits			101,073	101,073	-	-	101,073
Customer deposits			4,943,122	4,943,122	-	-	4,943,122
Other financial liabilities			120,193	120,193	-	-	120,193
Hedging derivatives	14		1,491	1,491	-	1,491	-
Total liabilities			5,708,530	5,708,530	-	372,214	5,336,316

31.12.2023							
In thousands of Euros		Note	Carrying amount	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 designated 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 and AFA			63,399	63,399	-	-	63,399
Credit 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

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		Main valuation techniques	Main inputs used		
	31.12.2024	Level 2			Level 3	
Debt securities						
Financial assets held for trading	2,003	1,000	Present value method (discounted future cash flows)	<ul style="list-style-type: none"> - 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	99,492	2,864				
Financial assets at fair value through other comprehensive income	570	-				
Financial assets at amortised cost	8,603	-				
Financial liabilities designated at fair value through profit or loss	316,169	-				
Assets and liabilities at amortised cost						
Loans and receivables	-	3,403,010	Present value method (discounted future cash flows)	<ul style="list-style-type: none"> - Prepayment rates - Issuer credit risk - Market interest rate 		
Financial liabilities at amortised cost	-	5,336,178				
Equity instruments						
Financial assets held for trading	-	285	Equity Comparable prices (prices of similar instruments)	<ul style="list-style-type: none"> - Net asset value issued by the managers or collective investment undertakings - Prices of similar instruments or market benchmarks 		
Non-trading financial assets mandatorily at fair value through profit or loss	-	30,907				
Financial assets at fair value through other comprehensive income	-	12,490				
Loans and advances						
Non-trading financial assets mandatorily at fair value through profit or loss	-	1,500	Present value method (discounted future cash flows)	<ul style="list-style-type: none"> - Prepayment rates - Issuer credit risk - Market interest rate 		
Derivatives						
Trading derivatives						
Assets	55,389	-	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Exchange rate - Future prices quoted on markets or consensus services - Market interest rate - Prices of underlying assets: shares, funds, commodities - Volatility observed in the market or consensus services - Levels of credit spreads for issuers - Quoted dividends 		
Liabilities	54,554	138				
Hedging derivatives						
Assets	4	-				
Liabilities	1,491	-				

Financial instruments

31.12.2023	Fair value		Main valuation techniques	Main inputs used
	Level 2	Level 3		
Debt securities				
Financial assets held for trading	2,270	-	Present value method (discounted future cash flows)	<ul style="list-style-type: none"> - 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 designated 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 future cash flows)	<ul style="list-style-type: none"> - Prepayment rates - Issuer credit risk - Market interest rate
Financial liabilities at amortised cost	-	4,873,505		
Equity instruments				
Financial assets held for trading	-	500	Equity Comparable prices (prices of similar instruments)	<ul style="list-style-type: none"> - Net asset value issued by the managers or collective investment undertakings - 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 future cash flows)	<ul style="list-style-type: none"> - Prepayment rates - Issuer credit risk - Market interest rate
Derivatives				
Trading derivatives			<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Exchange rate - Future prices quoted on markets or consensus services - Market interest rate - Prices of underlying assets: shares, funds, commodities - Volatility observed in 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	-		

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 carrying amount (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 stipulated 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 such 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.

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:

$$\text{Risk-adjusted value} = \text{risk-free value} - \text{CVA}$$

The amounts corresponding to the value adjustments for issuer credit risk on the positions at 31 December 2024 were Euros -275 thousand (Euros -275 thousand at 31 December 2023).

6.3.2. Sensitivity analysis

At 31 December 2024, 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 Euros +1,768 thousand and Euros -4,900 thousand, respectively (Euros +2,776 thousand and Euros -4,485 thousand, respectively, at 31 December 2023).

6.3.3. Movement during the year of assets and liabilities classified as level 3

Movement in 2024 and 2023 of assets and liabilities classified as level 3 is presented below:

In thousands of Euros	2024		2023	
	Assets	Liabilities	Assets	Liabilities
Opening balance	3,074,002	-4,875,421	3,336,773	-5,484,511
Value adjustments recognised in profit or loss	2,216	-1,060	-	-
Value adjustments not recognised in profit or loss	-603	-	-	-
Purchases, sales and settlements	365,515	-459,835	-262,771	609,090
Net level 3 additions/(disposals)	10,926	-	-	-
Exchange rate differences and others	-	-	-	-
Closing balance	3,452,056	-5,336,316	3,074,002	-4,875,421

During 2024 there has been a net movement at level 3 of Euros 10,926 thousand. During 2023 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 based on 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 takes into consideration 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 volume are presented in four major business segments:

- **Private banking.** This is the Group's principal activity and the line of business specialising in advisory services 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 primarily in the Andorran and Spanish markets.
- **Investment Department.** This comprises 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 Crèdit Andorrà Group are presented below for 2024 and 2023, by business segments.

In thousands of Euros	Private banking	Commercial banking	Insurance business	Investments, CS and adjustments	Total 31.12.24
Interest margin	69,701	89,158	-	-52,324	106,535
Net operating result	146,722	108,438	1,881	-35,774	221,267
Operating result (1)	122,001	100,618	560	-162,113	61,066
Profit for the year	120,814	100,618	3,086	-153,846	70,672
Assets	950,831	1,650,691	-	180,610	2,782,132
Liabilities	2,363,142	2,149,820	-	430,160	4,943,122
Off balance sheet	21,529,509	1,078,644	-	348,831	22,956,984
Business volume	24,843,482	4,879,155	-	959,601	30,682,238

(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 31.12.23
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

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

A breakdown of this item in the statement of financial position at 31 December 2024 and 2023 is as follows:

In thousands of Euros	31.12.24	31.12.23
Cash	29,220	29,995
Cash balances in central banks	126,995	86,347
Other demand deposits	288,307	232,780
Total	444,522	349,122

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

A breakdown of this item in the statement of financial position at 31 December 2024 and 2023 is as follows:

In thousands of Euros	31.12.24	31.12.23
Non-derivative assets		
Equity instruments	2,660	3,424
Listed instruments	2,375	2,924
Unlisted instruments	285	500
Debt securities	11,475	11,066
Public debt and central banks	8,330	7,659
Credit institutions	1,998	2,276
Other financial corporations	147	1,131
Other	1,000	-
Loans and advances	-	-
Total non-derivative assets	14,135	14,490
Derivative assets		
Interest rate	9,800	10,993
Currencies	45,290	28,988
Credit	299	653
Equity instruments	-	7
Other	-	-
Total derivative assets	55,389	40,641
Total	69,524	55,131

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

A breakdown of this item in the statement of financial position at 31 December 2024 and 2023 is as follows:

In thousands of Euros	31.12.24	31.12.23
Equity instruments	140,329	136,791
Listed instruments	109,422	120,755
Of which Unit-Linked	108,092	104,882
Unlisted instruments	30,907	16,036
Debt securities	-	-
Public debt and central banks	-	-
Credit institutions	-	-
Other financial corporations	-	-
Other	-	-
Loans and advances	1,500	1,500
Total	141,829	138,291

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 Cr dit Asseurances, SAU.

At 31 December 2024, the total balance stated under "Loans and advances", Euros 1,500 thousand, corresponds to the asset receivable arising from the Vall Banc purchase transaction (see consolidated financial statements for 2022).

In 2024 and 2023, 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

A breakdown of this item in the statement of financial position at 31 December 2024 and 2023 is as follows:

In thousands of Euros	31.12.24	31.12.23
Derivative liabilities		
Interest rate	7,614	8,497
Currencies	47,078	32,941
Credit	-	-
Equity instruments	-	46
Other	-	-
Total	54,692	41,484

10. Financial assets and liabilities designated at fair value through profit or loss

A breakdown of these items in the statement of financial position at 31 December 2024 and 2023 is as follows:

In thousands of Euros	31.12.24	31.12.23
Assets		
Debt securities	269,905	242,171
Of which Unit-Linked	-	-
Other financial assets	-	-
Of which Unit-Linked	-	-
Total assets	269,905	242,171
Liabilities		
Debt securities	316,160	329,017
Other financial liabilities	9	5,960
Total liabilities	316,169	334,977

10.1. Financial assets designated at fair value through profit or loss

At 31 December 2024, Euros 246,733 thousand are recognised as debt securities that are hedges of structured products issued by the Group (Euros 222,478 thousand at 31 December 2023).

At 31 December 2024 and 2023, there are no amounts recognised under "Unit-linked debt securities" and "Other unit-linked assets", as they are invested in "Equity instruments" under Non-trading financial assets mandatorily at fair value through profit or loss (see note 9.2).

10.2. Financial liabilities designated 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, SA'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" corresponds to the recognition of the contingent price payable 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

A breakdown of this item by type of financial instrument in the statement of financial position at 31 December 2024 and 2023 is as follows:

In thousands of Euros	31.12.2024			
	Cost/ Amortised cost	Unrealised capital gains	Unrealised capital losses	Fair value
Equity instruments	10,373	2,130	-13	12,490
Gross amount	10,373	2,130	-13	12,490
Listed instruments	-	-	-	-
Unlisted instruments	10,373	2,130	-13	12,490
Accumulated impairment	-	-	-	-
Debt securities	273,501	1,028	-9,417	265,112
Gross amount	273,518	1,028	-9,434	265,112
Public debt and central banks	132,606	549	-8,362	124,793
Credit institutions	2,288	317	-386	2,219
Other corporations	138,624	162	-686	138,100
Accumulated impairment	-17	-	17	-
Total	283,874	3,158	-9,430	277,602

In thousands of Euros	31.12.2023			
	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

In 2024 and 2023, the Crèdit Andorrà Group has not sold financial assets classified under this item in the statement of financial position (see note 37).

12. Financial assets at amortised cost - Loans and advances

12.1. Loans and advances to credit institutions

A breakdown of this item in the statement of financial position by type of financial instrument at 31 December 2024 and 2023 is as follows:

In thousands of Euros	31.12.24	31.12.23
Loans and advances to credit institutions	734,331	429,585
Term accounts	177,158	2,986
Other	251,162	196,110
Reverse repurchase agreements	306,011	230,489
Valuation adjustments	1,388	1,285
Interest and fees accrued	1,388	1,285
Total	735,719	430,870

12.2. Customer loans and advances

A breakdown of this item in the statement of financial position by type of financial instrument at 31 December 2024 and 2023 is as follows:

In thousands of Euros	31.12.24	31.12.23
Customer loans and advances	2,780,632	2,725,899
Debtors with monetary guarantees	176,768	161,559
Debtors with security guarantees	544,143	533,598
Mortgages for purchase of first home	281,834	272,852
Other mortgages	1,151,602	1,113,328
Debtors with personal guarantees	553,443	559,726
Credit cards	24,760	21,826
Commercial discount	18,070	17,742
Credit accounts	217,405	269,262
Overdrafts and amounts overdrawn	1,111	6,477
Other consumer lending	292,097	244,419
Defaulted assets	72,842	84,836
Valuation adjustments	-115,318	-127,294
Impairment losses	-115,318	-127,294
Net carrying amount	2,665,314	2,598,605

13. Financial assets at amortised cost - Debt securities

A breakdown of this item in the statement of financial position by type of counterparty at 31 December 2024 and 2023 is as follows:

In thousands of Euros	31.12.24	31.12.23
Debt securities	1,512,636	1,512,292
Public debt and central banks	1,490,659	1,442,907
Credit institutions and other financial institutions	21,374	38,287
Other corporations	603	31,098
Valuation adjustments	4,871	4,615
Impairment losses	-537	-585
Interest and fees accrued	5,408	5,200
Total	1,517,507	1,516,907

In 2024 and 2023, the Group has not sold financial assets classified under this item (see note 37).

14. Derivatives from hedge accounting and changes to fair value of hedged items in portfolio hedge of interest rate risk

A breakdown of the derivatives designated as hedging derivatives and changes to fair value of hedged items in portfolio hedge of interest rate risk at 31 December 2024 and 2023 is as follows:

In thousands of Euros	31.12.24	31.12.23
Assets	1,981	1,828
Hedging derivatives	4	209
Fair value changes of the hedged items in hedge of interest rate risk	1,977	1,619
Liabilities	1,491	1,121
Interest rate accounting hedge derivatives	1,491	1,121
Of which micro-hedges	1,491	1,121
Of which macro-hedges	-	-
Fair value changes of the hedged items in hedge of interest rate risk	-	-

All of the hedges shown in the table above 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 2024 and 2023, 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 income statement.

Below is a summary of the information used in the effectiveness tests for 2024 and 2023. It is not an exhaustive breakdown of the value of the hedged and hedging items.

			Value of hedging instrument at 31.12.24		Change in FV used to calculate hedge ineffectiveness	Ineffectiveness recognised in profit or loss	Value of hedging instrument at 31.12.23	
Risk hedged	Hedging instrument		Assets	Liabilities			Assets	Liabilities
Macro-hedges	Fixed-interest loans	Interest rate swaps	-	-	-	-	-	-
Micro-hedges	Fixed-interest loans	Interest rate swaps	4	1,491	358	-216	209	1,121
Total			4	1,491	358	-216	209	1,121

			Value of hedged item at 31.12.24		Cumulative adjustment to FV of hedged item	Change in FV used to calculate hedge ineffectiveness	Value of hedged item at 31.12.23	
Risk hedged	Hedging instrument		Assets	Liabilities			Assets	Liabilities
Macro-hedges	Fixed-interest loans	Interest rate swaps	-	-	2,933	-269	-	-
Micro-hedges	Fixed-interest loans	Interest rate swaps	45,315	-	-956	627	52,132	-
Total			45,315	-	1,977	358	52,132	-

			Value of hedging instrument at 31.12.23		Change in FV used to calculate hedge ineffectiveness	Ineffectiveness recognised in profit or loss	Value of hedging instrument at 31.12.22	
Risk hedged	Hedging instrument		Assets	Liabilities			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

			Value of hedged item at 31.12.23		Cumulative adjustment to FV of hedged item	Change in FV used to calculate hedge ineffectiveness	Value of hedged item at 31.12.22	
Risk hedged	Hedging instrument		Assets	Liabilities			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	-

During 2024, the Group has recognised a net loss for hedge accounting of Euros 216 thousand (net loss of Euros 208 thousand during 2023).

In 2020, the Entity made 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 facilities. Upon discontinuation of the hedge, the hedging derivative is deemed 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 income statement up to the maturity date of the hedged item. In this regard, at 31 December 2024, an amount of Euros 3,032 thousand had yet to be recognised prospectively in the income statement (Euros 3,308 thousand at 31 December 2023). At 31 December 2024 and 2023 all hedges in place were effective.

14.2. Cash flow hedges

The Group does not perform cash flow hedges.

15. Tangible assets

A breakdown of "Tangible assets", their accumulated depreciation, the related impairment allowances, and, if any, the movement that occurred in 2024 and 2023, are as follows:

In thousands of Euros	Tangible assets for own use							Investment property	Total
	Land and real estate	Building works underway	Furniture and facilities	Hardware	Other	Right of use	Total		
Cost									
Balance at 31 December 2023	91,277	557	27,177	22,703	7,722	81,152	230,588	91,905	322,493
Additions	4	1,025	2,525	1,601	31	15,438	20,624	-	20,624
Disposals	-	-	-529	-246	-	-5,410	-6,185	-	-6,185
Sales	-	-	-	-	-	-	-	-	-
Transfers	-	-532	256	276	-	-	-	-9	-9
Exchange rate differences and others	136	-	-84	-95	-6	41	-8	-8	-16
Balance at 31 December 2024	91,417	1,050	29,345	24,239	7,747	91,221	245,019	91,888	336,907
Accumulated depreciation									
Balance at 31 December 2023	-7,224	-	-19,298	-20,842	-259	-29,117	-76,740	-558	-77,298
Additions	-1,049	-	-1,889	-964	-8	-6,981	-10,891	-287	-11,178
Disposals	-	-	488	246	-	4,872	5,606	-	5,606
Sales	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Exchange rate differences and others	-62	-	83	100	8	-47	82	8	90
Balance at 31 December 2024	-8,335	-	-20,616	-21,460	-259	-31,273	-81,943	-837	-82,780
Impairment losses									
Balance at 31 December 2023	-596	-	-	-	-	-	-596	-41,147	-41,743
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-	-
Transfers and reclassifications	-	-	-	-	-	-	-	-	-
Exchange rate differences and others	-	-	-	-	-	-	-	-	-
Balance at 31 December 2024	-596	-	-	-	-	-	-596	-41,147	-41,743
NBV at 31 December 2023	83,457	557	7,879	1,861	7,463	52,035	153,252	50,200	203,452
NBV at 31 December 2024	82,486	1,050	8,729	2,779	7,488	59,948	162,480	49,904	212,384

Additions under "Right-of-use assets" in the above table correspond to the renewal of lease contracts.

In thousands of Euros	Tangible assets for own use							Investment property	Total
	Land and real estate	Building works underway	Furniture and facilities	Hardware	Other	Right of use	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
NBV at 31 December 2022	84,548	959	8,449	2,220	7,457	54,238	157,871	50,485	208,356
NBV at 31 December 2023	83,457	557	7,879	1,861	7,463	52,035	153,252	50,200	203,452

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 2024 and 2023 there were no indications of impairment on the net value of assets associated with the different CGUs.

At 31 December 2024 and 2023, all properties are unrestricted.

The amount of fully depreciated property, plant and equipment for own use as at 31 December 2024 and 2023 totals Euros 20,510 thousand and Euros 21,405 thousand, respectively. In 2024, the Group derecognised idle assets amounting to Euros 573 thousand with an impact on the income statement of Euros -41 thousand. In 2024, the Group derecognised fully depreciated idle assets amounting to Euros 44 thousand with no impact on the income statement.

At 31 December 2024 and 2023, there are no restrictions on the realisation of the tangible assets and the collection of income from them.

At 31 December 2024 and 2023, 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 2024 and 2023 no impairment was recorded for these assets.

Based on the valuations available at 31 December 2024, the fair value of the investment property portfolio amounts to Euros 63,671 thousand (Euros 63,640 thousand at 31 December 2023). The fair value of real estate assets classified as investment property is classified, according to the fair value hierarchy, as level 2.

The net carrying amount of income-generating investment property at 31 December 2024 amounts to Euros 49,904 thousand (Euros 50,200 thousand at 31 December 2023).

Income from the rental of investment property is recorded under "Other operating income" in the income statement (see note 38).

16. Intangible assets

A breakdown of "Intangible assets", their accumulated amortisation, the related impairment allowances, and, if any, the movement that occurred in 2024 and 2023, are as follows:

In thousands of Euros

	Goodwill	Computer software	Other	Total
Cost				
Balance at 31 December 2023	74,486	129,132	1,898	205,516
Additions	606	9,969	-	10,575
Disposals	-	-642	-1,500	-2,142
Sales	-	-	-	-
Transfers	-	75	-75	-
Exchange rate differences and others	1,948	53	-92	1,909
Balance at 31 December 2024	77,040	138,587	231	215,858
Accumulated amortisation				
Balance at 31 December 2023	-	-93,945	-1,615	-95,560
Additions	-	-9,770	-87	-9,857
Disposals	-	101	1,500	1,601
Sales	-	-	-	-
Transfers	-	-107	107	-
Exchange rate differences and others	-	-293	95	-198
Balance at 31 December 2024	-	-104,014	-	-104,014
Impairment losses				
Balance at 31 December 2023	-2,377	-	-	-2,377
Additions	-185	-	-	-185
Disposals	-	-	-	-
Sales	-	-	-	-
Transfers	-	-	-	-
Exchange rate differences and others	-	-	-	-
Balance at 31 December 2024	-2,562	-	-	-2,562
NBV at 31 December 2023	72,109	35,187	283	107,579
NBV at 31 December 2024	74,478	34,573	231	109,282

Additions in Accumulated amortisation - "Others" fully correspond to the amortisation of assets of the Insurance Group, which are recognised as part of the net result of the insurance business (see note 38).

In thousands of Euros

	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 amortisation				
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
NBV at 31 December 2022	73,762	38,731	394	112,887
NBV at 31 December 2023	72,109	35,187	283	107,579

16.1. Goodwill and differences on first consolidation

Under this item 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 on first consolidation arising during the consolidation process. The following is a breakdown by company of the goodwill and first consolidation differences at 31 December 2024 and 2023.

In thousands of Euros	31.12.24			31.12.23		
	Cost	Provision	Net carrying amount	Cost	Provision	Net carrying amount
Banque de Patrimoines Privés SA	10,091	-	10,091	10,091	-	10,091
Banco Alcalá SA	28,982	-2,128	26,854	28,982	-2,128	26,854
Beta Capital Managment LP	36,843	-	36,843	34,895	-	34,895
CA Perú Agente de Valores de Bolsa	112	-112	-	112	-112	-
SPA SA	-	-	-	-	-	-
CLIGE SA	137	-137	-	137	-137	-
Vesto Finance Services	606	-	606	-	-	-
Crédit Asseurances SA	269	-185	84	269	-	269
Total	77,040	-2,562	74,478	74,486	-2,377	72,109

The main changes in goodwill and differences on first consolidation, which are ultimately reflected in the composition by company shown in the table above, are primarily 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. It should be taken into consideration that the Group manages the currency position in the statement of financial position on an aggregate basis, so that only the open currency position has an impact on profit or loss (see note 5.6).

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 income statement.

The method used to perform these impairment tests for the years ended 31 December 2024 and 2023 was the discounted free cash flow method. With regard to the discounted free cash flow method, the following assumptions were used for 2024:

- Methodology: discounted free cash flows.
- Time horizon: 7 years and perpetual.
- Estimated growth: 2.27% corresponding to expected long-term inflation based on historical Euro inflation for the last 20 years.
- Discount rate used (WACC): between 8.05% and 8.29% 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 2024 and 2023, there were no intangible assets subject to any restrictions on ownership or that serve as debt collateral.

In addition, at 31 December 2024 and 2023, there are no significant commitments to purchase intangible assets.

At 31 December 2024 and 2023, the Crèdit Andorrà Group holds intangible assets for a gross amount of Euros 62,933 thousand and Euros 57,284 thousand, respectively, which are fully amortised.

17. Other assets

A breakdown of this item in the statement of financial position at 31 December 2024 and 2023 is as follows:

In thousands of Euros	31.12.24	31.12.23
Transactions in transit	40,643	25,774
Prepayments	29,329	22,579
Expenses paid and not accrued	6,914	4,381
Other asset prepayments	22,415	18,198
Inventories	288	358
Other	482	568
Total	70,742	49,279

"Transactions in transit" mainly include ongoing transfers and customer transactions still to be settled. The balance of this item may vary significantly due to the transactions carried out by customers.

"Other" 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

A breakdown of this item in the statement of financial position at 31 December 2024 and 2023 is as follows:

In thousands of Euros	31.12.24	31.12.23
Property, plant and equipment	82,454	79,430
From foreclosures	62,536	56,770
Other	19,918	22,660
Other assets	11,440	11,440
Total	93,894	90,870

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 to 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, where applicable, and movements that have occurred in 2024 and 2023 are as follows:

In thousands of Euros	Property, plant and equipment		Other assets	Total
	From foreclosures	Other	From foreclosures	
Cost				
Balance at 31 December 2023	83,129	36,667	11,440	131,236
Additions	6,229	-	-	6,229
Disposals	-598	-3,604	-	-4,202
Transfers	9	-	-	9
Exchange rate differences and others	-	-	-	-
Balance at 31 December 2024	88,769	33,063	11,440	133,272
Impairment losses				
Balance at 31 December 2023	-26,359	-14,007	-	-40,366
Additions	-	-	-	-
Disposals	126	862	-	988
Transfers	-	-	-	-
Exchange rate differences and others	-	-	-	-
Balance at 31 December 2024	-26,233	-13,145	-	-39,378
NBV at 31 December 2023	56,770	22,660	11,440	90,870
NBV at 31 December 2024	62,536	19,918	11,440	93,894

For further information on the transfers detailed in the above table, see note 15.

In thousands of Euros	Property, plant and equipment		Other assets	Total
	From foreclosures	Other	From foreclosures	
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
NBV at 31 December 2022	54,398	23,993	11,440	89,831
NBV at 31 December 2023	56,770	22,660	11,440	90,870

Disposals of non-current assets held for sale shown in the table above resulted in losses for the Creand Group amounting to Euros 1,132 thousand for the year ended 31 December 2024 (losses of Euros 179 thousand for the year ended 31 December 2023).

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 at 31 December 2024 and 2023 are as follows.

In thousands of Euros	31.12.24	31.12.23
Assets for residential use	5,057	-
Assets for industrial or commercial use	30,048	29,195
Building works underway	39	-
Land for development	38,489	38,672
Land not for development	343	343
Developed land	-	-
Total	73,976	68,210
Up to 1 year	6,216	3,148
From 1 to 2 years	2,881	-
From 2 to 3 years	-	-
More than 3 years	64,879	65,062
Total	73,976	68,210

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 2024 and 2023, based on the nature of the financial instrument giving rise to the liability, is as follows:

In thousands of Euros	Note	31.12.24	31.12.23
Deposits		5,215,985	4,762,318
Central bank deposits and AFA	19.2.	171,790	63,399
Credit institution deposits	19.3.	101,073	46,428
Customer deposits	19.4.	4,943,122	4,652,491
Debt securities	19.5.	50,750	51,578
Other liabilities	19.5.	69,443	59,609
Total		5,336,178	4,873,505

19.2. Central bank deposits and AFA

The composition of the balances for this item in the statement of financial information at 31 December 2024 and 2023, based on the nature of the transactions, is as follows:

In thousands of Euros	31.12.24	31.12.23
AFA deposits	171,081	62,677
Demand	44,691	9,677
Term	126,390	53,000
Interest accrued	709	722
Total	171,790	63,399

19.3. Credit institution deposits

The composition of this item in the statement of financial information at 31 December 2024 and 2023, based on the nature of the transactions, is as follows:

In thousands of Euros	31.12.24	31.12.23
Credit institution deposits	101,025	46,362
Demand	101,025	46,362
Term	-	-
Repurchase agreements	-	-
Interest accrued	48	66
Total	101,073	46,428

19.4. Customer deposits

The composition of this item in the statement of financial information at 31 December 2024 and 2023, based on the nature of the transactions and economic segment of the customer, is as follows:

In thousands of Euros	31.12.24	31.12.23
By nature	4,943,122	4,652,491
Current and other demand accounts	3,384,791	3,251,716
Term deposits	1,558,331	1,400,775
By sector	4,943,122	4,652,491
Public entities	147,562	86,707
Private sector	4,795,560	4,565,784

19.5. Debt securities and other liabilities

The composition of the balance of this item in the statement of financial position at 31 December 2024 and 2023, based on the nature of the financial instrument giving rise to the liability, is as follows:

In thousands of Euros	31.12.24	31.12.23
Debt securities	50,750	51,578
Lease liabilities	63,417	54,643
Other liabilities	6,026	4,966
Total	120,193	111,187

19.5.1. Debt securities and subordinated liabilities

In July 2024, Crèdit Andorrà, SA issued Euros 50 million of instruments fully eligible as Tier II (see note 28), which follows the previous issue for the same amount and which, once the relevant authorisations from the AFA had been obtained, was redeemed in advance by exercising of the call option by the Bank on the fifth anniversary of the issue.

These instruments (Fixed Rate Resettable Callable Subordinated Securities, according to the terminology used in the issue prospectus) have a maturity of 10 years and three months, 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 7.5% 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 +465.26 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 is shown in note 5.3.1.

Lease payments of Euros 8,505 thousand were recorded during 2024 (Euros 7,867 thousand in 2023).

Movement in lease liabilities during 2024 and 2023 is shown below.

In thousands of Euros	
Balance at 31 December 2022	56,930
Additions for contract modifications	3,239
Disposals/Cancellations in advance	-
Financial depreciation	-5,526
Balance at 31 December 2023	54,643
Additions for contract modifications	15,438
Disposals/Cancellations in advance	-5,410
Financial depreciation	-1,254
Balance at 31 December 2024	63,417

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 2024, the redeemable value of outstanding E shares was adjusted in the amount of Euros -1,060 thousand (Euros -1,171 thousand in 2023), recognised under "Gains or losses on financial assets and liabilities held for trading, net" in the income statement.

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 2024 and 2023, based on the nature and components of the provision giving rise to the liability, is as follows:

In thousands of Euros	31.12.2024		
	BBA	VFA	Total
Liability for remaining coverage (LRC)	123,694	109,354	233,048
Present value of future cash flows (PVFC)	107,183	104,283	211,466
Loss component (LC)	7,217	2,687	9,904
Risk adjustment (RA)	2,726	362	3,088
Contractual service margin (CSM)	6,568	2,022	8,590
Liability for incurred claims (IC)	433	5,338	5,771
Liabilities under insurance contracts	124,127	114,692	238,819

In thousands of Euros	31.12.2023		
	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 (IC)	457	4,193	4,650
Liabilities under insurance contracts	109,344	110,542	219,886

See Appendix IV 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 2024 and 2023, valued using BBA and VFA methods.

20.1 Maturity of the contractual service margin (CSM) by valuation model

In thousands of Euros	31.12.2024		
	BBA	VFA	Total
CSM expected amortisation in 5 years	1,280	740	2,020
CSM expected amortisation in > 5 years	5,288	1,282	6,570
Total	6,568	2,022	8,590

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

20.2 Sensitivity analysis of the main assumptions

Below is a detailed sensitivity analysis of the liabilities of the insurance contracts issued by the Group, of a parallel increase or decrease in market interest rates of 1%, assuming that the rest of the variables remain constant:

31.12.2024	Contractual margin		Income statement		Equity	
	Incr.100bp	Decr.100bp	Incr.100bp	Decr.100bp	Incr.100bp	Decr.100bp
BBA method	-2,897	5,508	-1,061	-2,480	12,697	-14,271
VFA method	15	-21	107	-128	-	-
TOTAL	-2,882	5,487	-954	-2,608	12,697	-14,271

31.12.2023	Contractual margin		Income statement		Equity	
	Incr.100bp	Decr.100bp	Incr.100bp	Decr.100bp	Incr.100bp	Decr.100bp
BBA method	-1,372	2,609	-982	-2,295	11,747	-13,204
VFA method	14	-19	99	-118	-	-
TOTAL	-1,358	2,590	-883	-2,413	11,747	-13,204

21. Provisions

The composition of the balance of this item in the statements of financial position at 31 December 2024 and 2023, based on the nature of the risk giving rise to the provision, is as follows:

In thousands of Euros	31.12.24	31.12.23
Pensions and other post-employment defined benefit obligations	12,066	11,965
Other long-term employee benefits	810	1,530
Provisions for taxes and other legal contingencies	-	261
Commitments and guarantees given	696	1,046
Other provisions	1,391	1,039
Total	14,963	15,841

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 2024 and 2023:

In thousands of Euros	Provisions for taxes and other legal contingencies	Commitments and guarantees given	Other provisions	Total
Balance at 31 December 2022	338	2,819	2,591	5,748
Allowances	-	4	1	5
Charged to income statement	-	4	1	5
Charged to other comprehensive income	-	-	-	-
Recoveries	-	-1,772	-317	-2,089
Charged to income statement	-	-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
Allowances	-	-	-	-
Charged to income statement	-	-	-	-
Charged to other comprehensive income	-	-	-	-
Recoveries	-	-360	-	-360
Charged to income statement	-	-360	-	-360
Charged to other comprehensive income	-	-	-	-
Applications/ payments	-261	-	-	-261
Other movements	-	10	352	362
Balance at 31 December 2024	-	696	1,391	2,087

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 income statement.

21.1.1. Provisions for taxes and other legal contingencies

Based on the information available, the Group considers that, at 31 December 2024 and 2023, 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 considers that the liabilities that may arise from these proceedings will not, as a whole, 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 31 December 2024 and 2023 reporting dates (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 2024 and 2023, based on the nature of the risk giving rise to the provision is as follows:

In thousands of Euros	31.12.24	31.12.23
Pensions and other post-employment defined benefit obligations	12,066	11,965
Other long-term employee benefits	810	1,530
Total	12,876	13,495

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 the 2024 reporting date amount to Euros 12,066 thousand (Euros 11,965 thousand at the 2023 reporting date). All of the commitments are insured through policies taken out with Cr dit Asseurances, 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 Cr dit Andorr , SA under "Other assets - Insurance contracts linked to pensions".

22.1.1. Movement in the provisions for post-employment commitments

Movement in the present value of the post-employment defined benefit obligations during the years ended 31 December 2024 and 2023 is as follows.

In thousands of Euros	Present value of obligations	Net defined benefit liability (asset)
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 impacts	-761	-761
Benefits paid	-761	-761
Other movements	-	-
Capital settlements	-	-
Balance at 31 December 2023	11,965	11,965
Total impact on profit	138	138
Current service cost	-	-
Past service costs	-	-
Net result for interest	138	138
Total impact on other comprehensive income	752	752
Actuarial losses/(gains)	752	752
Other	-	-
Other impacts	-789	-789
Benefits paid	-789	-789
Other movements	-	-
Capital settlements	-	-
Balance at 31 December 2024	12,066	12,066

22.1.2. Actuarial methodology and assumptions

All of the retirement 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:

		31.12.2024	31.12.2023
Mortality tables		PERM/F-2020 P	PERM/F-2020 P
Technical interest rate	Plan 1	3.06%	3.29%
	Plan 2	3.06%	3.29%
	Pension	3.06%	3.29%
CPI		2.00%	2.00%

The amounts projected at 31 December 2023 were determined on the basis of the real CPI in 2024 for payments in 2024 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:

In thousands of Euros	Variation in basis points	31.12.2024		31.12.2023	
		Increase	Decrease	Increase	Decrease
Technical interest rate	100	-1,105	1,307	-1,104	1,309
CPI	100	1,237	-1,067	1,243	-1,070

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 2024 and 2023, see note 39.

These contributions are an expense for the year when they accrue and are expensed in the income statement for the corresponding year. Therefore, they do not entail 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 2024 and 2023 is shown below.

In thousands of Euros	Present value of obligations	Net defined benefit liability (asset)
Balance at 31 December 2022	2,446	2,446
Total impact on profit	147	147
Current service cost	-	-
Net cost for interest	76	76
Past service costs	-	-
Actuarial losses/(gains)	71	71
Total impact on other comprehensive income	-	-
Actuarial losses/(gains)	-	-
Other	-	-
Other impacts	-1,063	-1,063
Benefits paid	-1,063	-1,063
Balance at 31 December 2023	1,530	1,530
Total impact on profit	35	35
Current service cost	-	-
Net cost for interest	36	36
Past service costs	-	-
Actuarial losses/(gains)	-1	-1
Total impact on other comprehensive income	-	-
Actuarial losses/(gains)	-	-
Other	-	-
Other impacts	-755	-755
Benefits paid	-755	-755
Balance at 31 December 2024	810	810

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:

	31.12.2024	31.12.2023
Mortality tables	PERM/F-2020 P	PERMF 2020P
Technical interest rate	3.08%	3.37%
CPI CA	0%	0%
CPI VB	2.6%	4.60%

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 five years.

The value of the obligations of the group of employees from Crèdit Andorrà SA does not increase in line with the CPI and the pension is constant.

The value of the obligations of the group of employees from Vall Banc, SA is revalued based on the real CPI for 2024.

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:

In thousands of Euros	Variation in basis points	31.12.2024		31.12.2023	
		Increase	Decrease	Increase	Decrease
Technical interest rate	100	9	-9	19	-20
CPI	100	-	-	1	-

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

The Group had no share-based payment obligations to employees at 31 December 2024 and 2023 or during the years then ended.

23. Other liabilities

The composition of the balance of this item in the statement of financial position at 31 December 2024 and 2023, based on the nature of the event giving rise to the liability, is as follows:

In thousands of Euros	31.12.24	31.12.23
Transactions in transit	40,305	34,079
Accruals	36,683	41,878
Expenses accrued and not paid	17,036	20,078
Other accruals	19,647	21,800
Suppliers and other creditors	6,469	6,278
Other	1,635	2,025
Total	85,092	84,260

"Transactions in transit" mainly include ongoing transfers and customer transactions still to be settled. The balance of this item may vary significantly due to the transactions carried out by customers.

"Other liabilities" include, among other things, non-financial services received and payable, not related to bank fees.

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 voting rights, although Class E shares are syndicated in terms of transfer 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 shareholders at their General Meeting at their request, and at least at the time of the employee's death.

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 EU-IFRS, Class E shares are recorded as financial liabilities (see note 19.5).

For commercial purposes, at 31 December 2024 and 2023 the share capital of Crèdit Andorrà, SA amounts to Euros 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 Euros 70 each.

24.2. Share premium and reserves

The composition of the balance of this item in the statement of financial position at 31 December 2024 and 2023 is as follows:

In thousands of Euros	31.12.24	31.12.23
Restricted reserves	142,316	140,020
Legal	14,000	14,000
Restricted reserves Law 20/2018	54,835	53,205
Fagadi	10,476	12,627
SAGI	3,277	2,757
Notices 227/12 and 228/12	59,728	57,431
Unrestricted reserves	367,479	321,446
Reserves for investments in subsidiaries	117,386	111,484
Other	250,093	209,962
Total	509,795	461,466

24.2.1. Restricted reserves

24.2.1.1. Legal reserve

In accordance with the Andorran Companies Act approved by the General Council 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 2024 and 2023, the Bank has fully appropriated this reserve.

24.2.1.2. Fagadi and SAGI

On 4 October 2018, Law 20/2018 of 13 September 2018 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 48.1.7), 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 (Euros 57,710 thousand) as follows:

- The guarantee reserves arising from Law 1/2011 and which were earmarked for the coverage of investments (Euros 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 transitional provision of Law 20/2018.
- An amount equivalent to 1.6% of the guaranteed deposits (Euros 17,464 thousand) was 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 set forth 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 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 (Euros 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 unrestricted reserves.

During 2024, 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 2023, the adjustment was recorded against restricted reserves, as stipulated in Law 20/2018. In this regard, at 31 December 2024, the Fagadi guarantee reserve stands at Euros 10,476 thousand, the guarantee reserve held restricted and assigned to the SAGI amounts to Euros 3,277 thousand and the restricted reserve totals Euros 54,835 thousand.

24.2.1.3. Treasury stock and shares

Pursuant to Article 23 of Law 20/2007 of 18 October 2007 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 no longer forms 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 (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 on first consolidation and goodwill

In addition, on the basis of the provisions of Notice 227 /12 on differences on first consolidation and Notice 228/12 on goodwill, the Bank, through the appropriation of profit or loss, sets up a restricted reserve each year of at least 10% of the carrying amount of the differences on 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 set up for goodwill arising from subsidiaries where local regulations require that a reserve of a similar nature to the one described above be set aside. At 31 December 2024, the restricted reserve amounted to Euros 59,728 thousand (Euros 57,431 thousand at 31 December 2023). At 31 December 2024, the amount of reserves for the differences on first consolidation and goodwill includes both the distribution of the 2023 profit for the year, as indicated in AFA Notices 227/12 and 228/12 (see note 4.1), and the impact of the exchange rate fluctuation for the differences on first consolidation and goodwill 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 previous years' profits that have not been distributed as agreed by the shareholders at their General 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 consolidated group from the date of their acquisition or incorporation, up to 31 December 2024 and 2023, that have not been distributed as dividends.

25. Treasury shares

At 31 December 2024 and 2023, 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 2024 and 2023 is as follows:

In thousands of Euros	31.12.24	31.12.23
Financial assets through other comprehensive income	-6,272	-12,436
Financial liabilities through comprehensive income	15,064	20,405
Cash flow hedges (effective portion)	-	-
Exchange rate differences	-	-
Non-current assets available for sale	-	-
Other recognised income and expenses	-1,603	-926
Total	7,189	7,043

The amounts included in the above table under "Other recognised income and expenses" refer to the actuarial differences arising from defined benefit pension obligations (see note 22.1).

The balances recognised under these items are shown net of their corresponding tax effect. The statement of changes in equity shows the movements that have occurred in the years ended 31 December 2024 and 2023.

27. Minority interests

This item includes the amount of equity of subsidiaries attributable to equity instruments not owned, directly or indirectly, by the Parent, including the corresponding share of profit or loss for the year.

At 31 December 2024 and 2023, a breakdown of "Minority interests" in the statement of financial position is as follows:

In thousands of Euros	31.12.24	31.12.23
Banco Alcalá Group	3,710	3,662
Vesto Finance Services	-362	-
Total	3,348	3,662

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 2018 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.

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.

The most recent amendment to the annex to the Monetary Agreement between Andorra and the European Union, dated 30 January 2024, gives continuity to Andorra's commitment to the implementation of European legal provisions in banking and financial matters. In this context, with the approval on 28 November 2024 of Law 17/2024, Andorra transposed Directive (EU) 2019/878 (CRD V) by amending Law 35/2018 on solvency, liquidity and prudential supervision.

28.1. Eligible equity

The elements that make up the eligible equity 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 equity (mainly eligible equity) after applying the prudential filters provided in the regulations. These elements are adjusted by the CET1 deductions after applying the regulatory limits.

Below are the figures for the current year and a comparison with the previous year.

At 31 December 2024, the instruments eligible as regulatory CET1 amounted to Euros 501,639 thousand (Euros 458,397 thousand at 31 December 2023), while the deductions applicable to regulatory CET1 amounted to Euros 110,709 thousand (Euros 106,578 thousand at 31 December 2023). The change in deductions is mainly due to the following factors:

- Intangible assets subject to deduction increase by Euros 10,369 thousand.
- The deduction from the insurance participation is reduced by Euros 6,325 thousand.

As set out in the AFA notice EB 03/2020 - Informative Note, the result at 31 December 2024 has been considered Common Equity Tier 1 capital (CET1). As a result, the regulatory CET1 ratio stands at 16.66% (16.04% at 31 December 2023).

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.

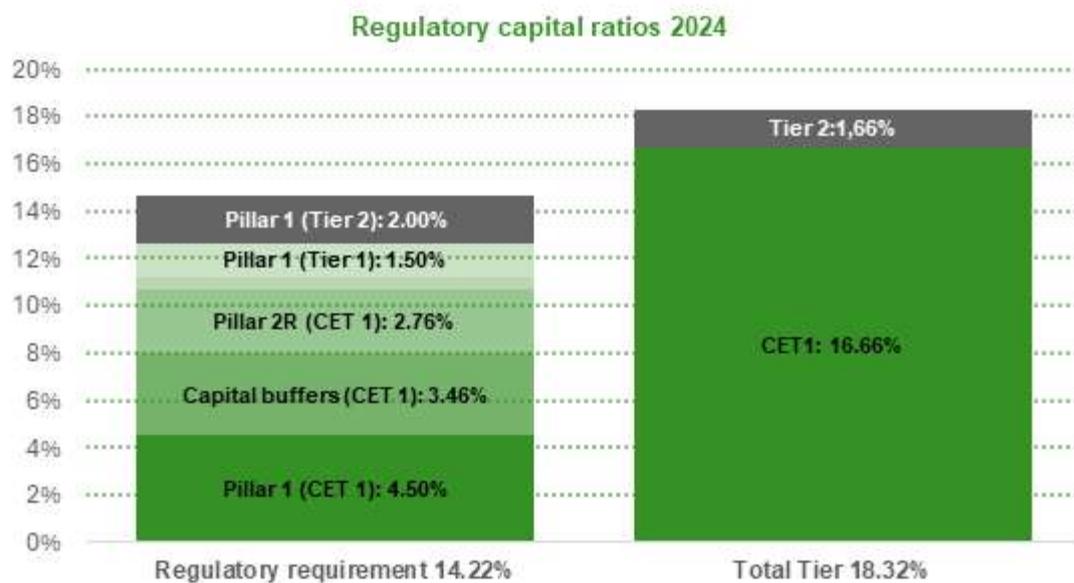
The components of Tier 2 capital include subordinated financing of Euros 50,000 thousand issued in July 2024 and which gives continuity to the previous issue which was repaid in advance for the same amount. As a result, Tier 2 capital stands at 1.66% (1.75% at 31 December 2023).

Total capital amounts to Euros 551,639 thousand (Euros 508,397 thousand in 2023) and the total regulatory capital ratio stands at 18.32% (17.78% at 31 December 2023).

Eligible equity is distributed as follows:

In thousands of Euros	(Regulatory)	
	31.12.24	31.12.23
CET1	501,639	458,397
Additional Tier 1	-	-
Tier 1	501,639	458,397
Tier 2	50,000	50,000
Total capital	551,639	508,397
APR	3,011,044	2,858,584

Details are shown below of the regulatory requirements and solvency ratios applicable to the Entity in accordance with Law 35/2018 on solvency, liquidity and prudential supervision of banking institutions and investment firms.



In relation to large exposures, Law 17/2024 introduces an amendment to Law 35/2018 taking as a benchmark Tier 1 capital instead of the total, as determined above. In this way, the risk concentration limit in favour of the same counterparty is modified to 25% of Tier 1 capital for non-financial counterparties, whilst the limit of Euros 150,000 thousand is maintained for those items of a financial nature.

In this regard, the maximum risk concentration on 31 December 2024 amounts to Euros 98,158 thousand towards a financial counterparty. At 31 December 2023 the Group's maximum risk concentration, associated with a non-financial counterparty, represented 16.92% of total eligible capital.

28.2. Capital requirements

The total volume of RWA (risk weighted assets) at 31 December 2024 amounts to Euros 3,011,044 thousand (Euros 2,858,584 thousand at 31 December 2023).

The distribution of risks included in Pillar 1 is similar to that of the previous year.



28.3. Capital management

Capital management at the Creand Group is carried out in a comprehensive manner, in order to guarantee the Group's solvency, comply with regulatory requirements and maximize its profitability. For this purpose a series of guidelines have been drawn up comprising the Group's approach to capital management:

- Establish adequate capital planning allowing current needs to be covered and providing the necessary own funds to cover the business plans' needs, regulatory requirements and 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 an appropriate allocation between businesses based on the relative return on regulatory capital, taking into consideration the risk appetite, its growth and strategic goals.

29. Commitments and guarantees given

The composition of the guarantees and contingent commitments given at 31 December 2024 and 2023 is as follows.

In thousands of Euros	31.12.24	31.12.23
Loan commitments given	571,011	539,056
Public sector	40,435	35,936
Credit institutions	-	-
Other financial corporations	146,098	111,796
Non-financial corporations	275,969	289,067
Households	108,509	102,257
Financial guarantees given	185,442	197,927
Public sector	2	2
Credit institutions	20,078	22,460
Other financial corporations	-	-
Non-financial corporations	145,821	153,418
Households	19,541	22,047
Other commitments and guarantees given	-	-
Non-financial corporations	-	-
Total	756,453	736,983

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 as a certain future need for liquidity or financing to be given to third parties to the Group.

Provisions recorded to cover these guarantees have been recognised under "Provisions - Commitments and guarantees given" (see note 21.1).

At 31 December 2024 and 2023, 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 2024 and 2023 comprising assets assigned to other own and third-party obligations are detailed below.

- At 31 December 2024, the Group has deposits taken with financial intermediaries as collateral for commitments amounting to Euros 20,950 thousand (Euros -5,800 thousand in deposits pledged at 31 December 2023) (see note 5.2.3).
- At 31 December 2024, the Group uses a total of Euros 68,252 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 20/2018 (Euros 61,455 thousand at December 2023) (see note 24.2 and note 48.1.7).
- At 31 December 2024, the Group uses a total of Euros 33,957 thousand to guarantee the credit facilities with regulators (Euros 29,783 thousand at 31 December 2023).

31. Purchase and sale commitments

The Group does not have any repurchase agreements with independent third parties affecting the portfolio of debt securities at amortised cost (see note 19.3) either at 31 December 2024 or 31 December 2023.

At 31 December 2024, the Group has reverse repurchase agreements for Euros 306,011 thousand (Euros 230,488 thousand at 31 December 2023). These reverse repurchase agreements bear interest at a rate of between 3.03% and 3.07% (between 3.85% and 5.38% at 31 December 2023) (see note 12.1).

32. Third-party transactions

The composition of the assets deposited by third parties at 31 December 2024 and 2023 is as follows.

In thousands of Euros	31.12.24	31.12.23
Financial instruments deposited by third parties	12,686,979	11,396,302
Of which managed by the Group	2,897,512	2,804,642
Discretionary portfolios	1,401,083	1,175,047
Collective investment undertakings	1,496,429	1,629,595
Other	9,789,467	8,591,660
Total	12,686,979	11,396,302

The amounts recognised in the above table refer 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 2024 and 2023 is as follows:

In thousands of Euros	31.12.24	31.12.23
Loans and receivables from customers	2,782,132	2,727,399
Customer assets under management	27,900,106	24,892,710
Customer deposits	4,943,122	4,652,491
Financial instruments deposited by third parties	10,413,084	9,329,086
Financial instruments not held by the Group	12,543,900	10,911,133
Total	30,682,238	27,620,109

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 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 income statement for the years ended 31 December 2024 and 2023 is as follows.

In thousands of Euros	2024	2023
Interest income		
Financial assets held for trading	11,914	5,089
Non-trading financial assets mandatorily at fair value through profit or loss	-	-
Financial assets designated at fair value through profit or loss	3,522	3,034
Financial assets at fair value through other comprehensive income	3,565	580
Financial assets at amortised cost	166,326	150,970
Correction of income due to hedging	1,820	1,841
Other income	15,565	4,800
Liability interest income	34	23
Interest income from insurance activity	7,568	6,684
Total interest income	210,314	173,021
Interest expenses		
Central bank deposits	-1	-171
Financial liabilities held for trading	-9,633	-4,061
Financial liabilities designated at fair value through profit or loss	-9,725	-6,418
Financial liabilities at amortised cost(*)	-58,104	-40,800
Correction of expenses due to hedging	-1,498	-1,820
Other financial liabilities	-8,597	-
Asset interest expenses	-55	-81
Interest expenses from insurance activity	-16,166	-4,933
Total interest expenses	-103,779	-58,284
Net interest income	106,535	114,737

(*) Includes Euros 1,376 thousand as interest expense on lease liabilities in 2024, Euros 1,257 in 2023 (see note 2.17)

This section of the accompanying income statement 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 2024 and 2023, respectively, calculated on average gross balances, is shown below.

These rates result from interest accrued during the year and do not include corrections due to hedging operations or the return of products accounted for at fair value through profit or loss.

	2024	2023
Income		
Financial assets at fair value through other comprehensive income	0.21%	0.48%
Financial assets at amortised cost		
Loans and receivables		
Credit institutions	2.98%	2.69%
Customers	4.87%	4.32%
Debt instruments	1.21%	1.42%
Expenses		
Deposits		
Central bank deposits	2.67%	1.79%
Credit institution deposits	0.42%	0.28%
Customer deposits	1.13%	0.71%
Debt securities		
At amortised cost	7.03%	7.00%
At fair value	2.95%	2.50%

35. Dividend income

The balance of this item in the accompanying income statement corresponding to the years ended 31 December 2024 and 2023 is as follows:

In thousands of Euros	2024	2023
From financial assets held for trading and financial assets designated at fair value through profit or loss	25	29
Non-trading financial assets mandatorily at fair value through profit or loss	123	153
Financial assets at fair value through other comprehensive income	283	365
Other	-	6
Total	431	553

36. Net fee and commission income

The most significant fee and commission income and expenses recognised in the accompanying income statement 2024 and 2023 are detailed in the table below, according to the nature of the non-financial service that gave rise to them.

In thousands of Euros	2024	2023
Fee and commission income		
Securities and currency transactions	27,575	24,202
Custody of securities	19,879	20,340
Asset management and advisory services	20,770	15,416
Account administration and maintenance	9,828	9,965
Product marketing	27,704	28,985
Credit transactions	13,381	11,337
Other	5,992	6,104
Total fee and commission income	125,129	116,349
Fee and commission expenses		
Brokerage	-174	-170
Transactions with financial intermediaries	-20,423	-15,984
Other	-8,153	-6,828
Total fee and commission expenses	-28,750	-22,982
Net fee and commission income	96,379	93,367

37. Gains or losses on financial assets and liabilities and net exchange rate differences

The balance of these items in the accompanying income statements for 2024 and 2023 is as follows.

In thousands of Euros	2024	2023
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	86	538
Equity instruments	205	542
Debt securities	-119	-4
Other	-	-
Gains or losses on financial assets and liabilities held for trading, net	-1,119	841
Derivatives	-1,946	-881
Equity instruments	398	425
Debt securities	428	1,296
Other	1	1
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	8,573	275
Equity instruments	8,573	275
Debt securities	-	-
Other	-	-
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	4,324	2,893
Equity instruments	-2	-
Debt securities	4,326	2,893
Exchange differences (gain or loss), net	2,486	4,087
Gains or losses on derecognition of non-financial assets, net	266	-804
Total net gains	14,616	7,830

"Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss - Equity instruments" include 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 rewards to customers, as well as the change in the price of units in collective investment undertakings for which Crèdit Andorrà, SA has transferred the associated risks and rewards to customers through the issue of structured liabilities (see note 9.2).

Likewise, "Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net - Debt securities" include the changes in the market value of the aforementioned structured liabilities (see note 10.2).

"Exchange rate differences (gain or loss), net" include, in addition to the net results of translating the financial assets and liabilities denominated in foreign currencies into Euros, the results from foreign currency transactions (mainly derivatives) on both on 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

A breakdown of the balance in these items in the accompanying income statement for 2024 and 2023 is shown in the following tables:

In thousands of Euros	2024	2023
Other operating income	636	217
Other operating expenses	-1,253	-3,117
Net result	-617	-2,900

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 2024 includes Euros 186 thousand from property sublease income (Euros 179 thousand at 31 December 2023).

38.2. Other income and expenses from assets and liabilities under insurance and reinsurance contracts

A breakdown of the balance in these items in the accompanying income statement for 2024 and 2023 is shown in the following tables:

In thousands of Euros	2024	2023
Income under insurance and reinsurance contracts	11,002	19,567
Income under insurance contracts	11,002	19,567
Reinsurance income	-	-
Expenses under insurance and reinsurance contracts	-6,863	-14,271
Expenses under insurance contracts	-6,828	-14,271
Reinsurance expenses	-35	-
Profit on insurance activity	4,139	5,296

39. Staff expenses

The composition of this item in the accompanying income statements for 2024 and 2023 is shown in the following table:

In thousands of Euros	2024	2023
Wages and salaries	-64,272	-62,628
Social security	-8,500	-8,161
Termination benefits	-984	-972
Provisions for defined post-employment contribution pensions (note 22)	-1,142	-1,046
Provisions for defined post-employment benefit pensions	-	-
Training	-517	-466
Other staff expenses	-5,931	-6,175
Total staff expenses	-81,346	-79,448

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%. Employees have the option to change the contribution rate once a year, so they have the flexibility to adjust the monthly net salary received and the contributions to the pension plan according to their liquidity needs.

"Other staff expenses" include, 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 2024 and 2023, the composition of the Creand Group workforce, in average terms, by professional category and gender, is as follows:

	31.12.2024			31.12.2023		
	Male	Female	Total	Male	Female	Total
Directors	10	1	11	10	2	12
Managers	150	90	240	141	85	226
Administration staff	271	298	569	259	295	554
Temporary staff	1	2	3	4	-	4
Total	432	391	823	414	382	796

40. Other administrative expenses

The composition of this item in the accompanying income statements for 2024 and 2023 is shown in the following table:

In thousands of Euros	2024	2023
Supplies	-2,282	-1,676
External services	-47,354	-42,976
Leases	-	-
Property repair and maintenance	-7,777	-7,232
Independent professional services	-18,770	-15,467
Surveillance and cash courier services	-1,212	-1,187
Insurance premiums	-2,017	-1,708
Advertising and public relations	-4,889	-4,861
Utilities	-7,656	-7,878
Other	-5,033	-4,643
Taxes	-5,457	-5,163
Other operating expenses	-2,814	-4,289
Total	-57,907	-54,104

The variation in "Independent professional services" is mainly due to the development of certain strategic projects, the issue of the T2 (see note 19.5.1), as well as other projects required to comply with recurring regulatory changes.

"External services - Other" mainly include the expenses for representation, travel and fees paid to bodies and associations such as the Andorran Banking Association and international equivalents.

41. Depreciation and amortisation

The composition of this item in the accompanying income statements for 2024 and 2023 is shown in the following table:

In thousands of Euros	2024	2023
Tangible assets	-11,178	-11,101
For own use	-3,910	-4,268
Investment property	-287	-291
Right of use assets	-6,981	-6,542
Intangible assets	-9,770	-10,340
Total	-20,948	-21,441

42. Provisions or reversal of provisions

The composition of this item in the accompanying income statements for 2024 and 2023 is shown in the following table:

In thousands of Euros	2024	2023
Pending legal issues and tax litigation (note 21)	-	-
Commitments and guarantees given (note 21)	360	1,768
Other provisions (notes 21 and 22)	1	245
Total	361	2,013

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 or loss

The composition of this item in the accompanying income statements for 2024 and 2023 is shown in the following table:

In thousands of Euros	2024	2023
From financial assets at fair value through other comprehensive income	6	-3
Debt securities	6	-3
Equity instruments	-	-
Financial assets at amortised cost	13,726	8,468
Debt securities	48	94
Customer loans and advances	13,678	8,374
Loans and advances to credit institutions	-	-
Total	13,732	8,465

During 2024, the Group recognised income from recoveries of write-offs amounting to Euros 8,122 thousand (Euros 3,701 thousand in 2023).

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. However, 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 carrying amount 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 2024 and 2023 by the equity-accounted jointly-controlled entities and associates (see note 3).

In thousands of Euros	2024	2023
Clínicas Geriátricas SA	21	76
Societat Pirenaica d'Aparcaments SA	37	40
CA Life Insurance Experts, Compañía de Seguros y Reaseguros SAU	36	210
Ca Vida Assegurances SAU	2,632	2,248
Actiu Assegurances SA	138	124
Grup Setap 365	-1,135	-1,266
Serveis i Mitjans de Pagament XXI SA	100	23
Ensisa Patrimoni 365 SL	3	-9
Total	1,832	1,446

45. Tax expense or income related to profit or loss from continuing operations

In accordance with the prevailing tax legislation in Andorra, the special tax consolidation regime for corporate income tax (CIT) includes Crèdit Andorrà, SA as the parent, and those Andorran companies that meet the requirements required for this purpose by the regulatory regulations as investees (hereinafter “the Tax Group”). The Tax Group, which has been in force since the law came into force in 2012, with group number G-800529-D, at 31 December 2024 is made up of the following related companies, 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, en liquidació (included in the Tax Group as of 1 July 2022)

At 31 December 2024 Vall Banc Fons, SAU does not form part of the tax consolidation group as it was wound up and liquidated on 24 April 2023.

The other Group companies file tax returns in accordance with the applicable tax legislation in the jurisdictions where they are domiciled.

In the current year, the corporation income tax settlements have been estimated, but until next July, when they will be formally filed with the taxation authorities of the jurisdictions where the Group is located, they cannot be considered definitive. For this reason, the data for the current year are forecasts.

The way this tax works is explained in note 2.13.1 “Corporate income tax”

45.1. Corporate income tax expense

45.1.1. Amount recognised in profit or loss

The composition of this item in the accompanying income statements for 2024 and 2023 is shown in the following table:

In thousands of Euros	2024	2023
Profit/loss for current tax	-4,259	-3,811
Current year	-4,251	-3,476
Current year tax on foreign profit	-3	-32
Adjustments to prior years	-5	-303
Profit/loss for deferred tax	-671	-290
Temporary differences	-413	-118
Change in tax rate	-	-
Tax loss carryforwards	-262	-178
Adjustments to prior years	4	6
Total	-4,930	-4,101

45.1.2. Amount recognised in accumulated other comprehensive income

The composition of the amount recognised in accumulated other income during the years ended 31 December 2024 and 2023, based on the nature of the asset or transaction giving rise to it, is shown in the following tables:

31.12.2024	Pre-tax	Tax (expense) profit	Net of tax
In thousands of Euros			
Items that will not be reclassified to profit or loss	-752	75	-677
Actuarial gains or losses on defined benefit pension plans	-752	75	-677
Fair value changes of equity instruments measured at fair value through other comprehensive income	-	-	-
Items that may be reclassified to profit or loss	1,436	-613	823
Financial assets and insurance through other comprehensive income	1,436	-613	823
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	684	-538	146

31.12.2023

In thousands of Euros	Pre-tax	Tax (expense) profit	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 that may be reclassified 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

Irrespective of the corporate income taxes charged to profit or loss, in 2024 and 2023 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 deferred liabilities and deferred assets, respectively.

45.2. Reconciliation of effective tax rate

A reconciliation between the corporate income tax expense applying 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 2024 and 2023, is shown below.

In thousands of Euros	2024		2023	
	Effective tax	Amount	Effective tax	Amount
Profit before tax		75,631		75,435
CIT with local tax rate		-6,968		-5,755
Effect of foreign tax rates		-2,153		-1,939
Non-deductible expenses		-5,189		-2,415
Non-taxable income		16,858		4,710
Tax credits		4,053		4,509
Other effects (temporary effects, etc.)		-10,852		-2,586
Total tax expense	-5.6%	-4,251	-4.6%	-3,476

During the 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 CIT, 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 tax credits applied lead to a greater decrease in the effective tax rate.

At the same time, at 31 December 2024 the different Group companies have recognised current tax liabilities payable in the amount of Euros 3,568 thousand (Euros 2,225 thousand at 31 December 2023).

45.3. Tax loss carryforwards

At 31 December 2024, Banco Alcalá, SA had unused tax loss carryforwards amounting to Euros 1,913 thousand (Euros 1,686 thousand at 31 December 2023) generated during 2018, 2019, 2022 and 2023.

At 31 December 2024, the Crèdit Andorrà, SA Tax Group had unused tax loss carryforwards amounting to Euros 62,353 thousand not capitalised for accounting purposes (Euros 83,630 thousand at 31 December 2023). These tax loss carryforwards originate from: (1) the first-time application settlements made by Crèdit Andorrà, SA with effect from 1 January 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 1 January 2018 due to the entry into force of IFRS 9; and (3) the acquisition of Vall Banc, SA and (4) the ruling from the Andorran Supreme Court of Justice (TSJA) rejecting the tax neutrality regime for the spin-off of Vall Banc to a third party company (see note 45.5).

As a result of the aforementioned merger by absorption, at 31 December 2024 there are unused tax loss carryforwards, generated before the entry of Vall Banc and Vall Banc Assegurances into the Vall Banc consolidation group, amounting to Euros 32,422 thousand (Euros 37,063 thousand at 31 December 2023).

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 2024 and 2023, there are certain temporary differences that must be taken into account when quantifying the corresponding corporate income tax expense.

The source of the deferred tax assets/liabilities recorded in the statement of financial position at 31 December 2024 and 2023 is as follows:

In thousands of Euros	2024		2023	
	Assets	Liabilities	Assets	Liabilities
Tangible and intangible assets	354	2,053	430	2,174
Financial assets through other comprehensive income	646	307	1,665	223
Actuarial gain/loss from defined benefit plans	-	22	-	31
Fair value hedges	-	-	-	-
Loan losses	8,987	-	9,616	-
Tax loss carryforwards to be offset in coming years	735	1,414	1,140	1,557
Other	1,876	1	1,869	60
First-time application of IFRS 17 and IFRS 9 insurance	524	757	679	1,577
Net assets and liabilities	13,122	4,554	15,399	5,622

The Group has no significant unrecognised deferred tax assets.

45.4.2. Movement in deferred tax assets and liabilities

Movement in deferred tax assets/liabilities recorded in the statement of financial position at 31 December 2024 and 2023 is as follows:

In thousands of Euros	Balance	Other movements for the		Balance at
		profit or loss	ARG	
Tangible and intangible assets	-1,744	46	-1	-1,699
Financial assets through other comprehensive income	1,444	-	-1,105	339
Actuarial gain/loss from defined benefit plans	-31	-	9	-22
Fair value hedges	-	-	-	-
Loan losses	9,616	-629	-	8,987
Tax loss carryforwards to be offset in coming years	-417	-262	-	-679
Other	1,798	65	12	1,875
First-time application of IFRS 17 and IFRS 9 insurance	-889	109	547	-233
Total	9,777	-671	-538	8,568

In thousands of Euros	Balance	Other movements for the		Balance at
		profit or loss	ARG	
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 losses	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	-1,072	126	57	-889
Total	11,150	-290	-1,083	9,777

Under current tax regulations, there are certain temporary taxable and deductible differences that must be taken into account when quantifying the corresponding corporation income tax expense. All these temporary differences have been recorded at the rate at which they are estimated to be reversed.

The Bank's directors expect the deferred taxes detailed in this note to be reversed over the next five years.

45.5 Other relevant tax information

Crédit Andorrà, SA has the last years open for review by the taxation authorities for the main taxes applicable to it in the jurisdictions in which it operates.

On 21 February 2022, Crédit Andorrà, SA received notification of the start of the audit of the tax regime applied to the partial spin-off of Vall Banc, SA in favour of a limited liability company.

After the administrative process was concluded on 11 July 2023, Crédit Andorrà SA filed a legal claim against the resolution of the Technical Tax Commission, which had dismissed the administrative appeal against the provisional settlement dated 16 January 2023.

Finally, on 17 December 2024, Crédit Andorrà SA received a judgement from the High Court of Justice of Andorra, rejecting the application of the fiscal neutrality regime for the partial spin-off transaction. However, its subsidiary claims were partially upheld, and the dispute was resolved, declaring the transaction exempt from capital gains tax on real estate transfers and subject to, but not exempt from, the general indirect tax. Additionally, upon conclusion of the proceedings and the non-application of the special tax regime to the aforementioned spin-off, Crédit Andorrà SA's unused tax loss carryforwards, generated in 2022, increased by Euros 3 million.

At the date of these financial statements, the judgement has been made firm, and the main procedure is deemed resolved. The Bank is awaiting the resolution of the sanctioning procedure.

Although Crédit Andorrà, SA is the established party in the process as the universal successor of Vall Banc, the party responsible for the financial consequences that may arise from the resolution of the sanctioning procedure will be JC Flowers, by virtue of the agreements contained in the contract for the sale and purchase of Vall Banc, SA shares.

46. Related parties

46.1. Remuneration of Senior Management

Crédit Andorrà SA defines the Group's Senior Management as executive or non-executive personnel comprising (1) the Board of Directors, (2) General Management, (3) the Executive Committee and (4) the management of the Internal Audit Department.

The remuneration accrued during 2024 and 2023 by the members of Senior Management, due to their status as such, totalled Euros 7,397 thousand and Euros 6,707 thousand, respectively.

Of the total remuneration received during 2024, Euros 6,683 thousand correspond to short-term benefits and Euros 714 thousand correspond to post-employment benefits (Euros 5,983 thousand and Euros 723 thousand for 2023, respectively).

At 31 December 2024 and 2023, 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 own funds and 5% of the profit for the year.

46.2. Related-party transactions.

Details of related-party balances at 31 December 2024 and 2023 are as follows:

In thousands of Euros	2024			2023		
	Senior Management	Subsidiaries	Other related parties	Senior Management	Subsidiaries	Other related parties
Assets	23,400	69,222	106,460	31,182	62,354	112,566
Loans, receivables and guarantees	24,683	69,248	126,763	33,309	62,386	132,875
Hedges	-1,283	-26	-20,303	-2,127	-32	-20,309
Financial liabilities at amortised cost	4,143	12,298	10,131	2,967	11,130	8,755
Financial liabilities at amortised cost	4,143	12,298	10,131	2,967	11,130	8,755
Off-balance-sheet accounts	72,439	24,637	418,796	47,933	20,278	258,312
Assets in custody	72,439	24,637	418,796	47,933	20,278	258,312
Amounts recognised in profit or loss	508	861	1,794	284	231	-46
Interest income	754	1,176	2,006	450	841	9
Interest expenses	-264	-427	-264	-186	-620	-88
Fee and commission income	18	112	52	20	10	33

The "Subsidiaries" segment includes balances with companies that have not been fully consolidated.

"Other related parties" include balances with economic groups which, without being part of Senior Management or subsidiaries, are related to the Group.

Related-party transactions have been performed in terms equivalent to those prevailing in transactions under market conditions

47. Lease obligations

Below is a breakdown of the Bank's lease obligations with third parties outside the Group at 31 December 2024 and 2023.

In thousands of Euros	2024	2023
Up to 1 year	8,221	7,563
Between 1 and 5 years	30,863	23,615
More than 5 years	32,878	33,166
Total	71,962	64,344

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 obligations at 31 December 2024 detailed in the table above, Euros 5,573 thousand, Euros 22,292 thousand and Euros 27,866 thousand correspond to lease obligations in connection with the purchase and sale and leaseback transaction (Euros 5,432 thousand, Euros 21,728 thousand and Euros 32,591 thousand, respectively, at 31 December 2023).

48. Additional information

48.1. Legal compliance

48.1.1. Law 37/2021 of 16 December 2021, amending Law 14/2017 of 22 June 2017, on preventing and combating money or securities laundering and terrorist financing, 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 2017, on preventing and combating money or securities laundering and terrorist financing. 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 purposes 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 2017, on preventing and combating money or securities laundering and terrorist financing, approved by Decree of 23 May 2018, which is repealed.

With the aim of implementing Commission Implementing Regulation 2021/776 of 11 May 2021 establishing templates for certain forms and 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 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 2017, preventing and combating money or securities laundering and terrorist financing, banking institutions must, among other measures, 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 governing 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 regulating 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 2024 and 2023, 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 2022 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 2013) are eligible for public funds.

The loans outstanding under this item at 31 December 2024 amounted to Euros 387 thousand (Euros 449 thousand at 31 December 2023) 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 primary and permanent residence.

Access to housing has been strained in recent years, with a rise in demand that has not been matched by a sufficient increase in supply, which has caused prices to go up 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 arranged in the form of guaranteed financing facilities for the purchase of a home for primary 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 beneficiaries of the guarantee a portion of the financial cost of the loan arranged.

The maximum amount guaranteed cannot exceed 20% of the mortgage amount, and the public guarantee programme has an initial amount of Euros 10 million.

These loans must accrue interest at a variable 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 loans under this item amounted to Euros 583 thousand at 31 December 2024 (Euros 117 thousand 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 2018 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 2011, 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 set out 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, sets forth 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 income statements 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 (therefore 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 set up 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 Euros 100,000 per depositor and per institution, and incorporates additional coverage in exceptional cases to guarantee up to Euros 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 undertakings 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 Euros 100,000 per holder, above the Euros 20,000 coverage level set by Directive 97/9/EC. The law also sets out a total limit on SAGI resources and increases the total maximum coverage stipulated 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 2017 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 sets out 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 adapt from now onwards.

48.1.9. Programme aimed at privileged financing for the digitalisation of companies

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) are also eligible as public funds. 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.

During 2023, improvements were made with regard to obtaining financing through the approval of Decree 529/2023, and during 2024, Decree 231/2024 of 29 May 2024 was approved, which sets out two grant programmes and a guarantee programme related to the Business Digitalisation Programme. This decree consolidates the texts of Decree 269/2022 and Decree 529/2023, whilst adding a new grant programme relating to basic digitalisation solutions or sector-specific solution packages.

The outstanding loans under this item, at 31 December 2024, amounted to Euros 20 thousand (Euros 27 thousand 31 December 2023). The balances are recorded under "Loans and advances - Customers" on the consolidated statement of financial position. These loans accrue an annual interest equivalent to the one-year Euribor rate plus 0.95%.

48.1.10. Law 22/2023 of 15 November 2023, amending Law 17/2013 of 10 October 2013, 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 2013, 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. Law 22/2022 of 9 June 2022, on measures for network and information systems security

The Law on measures for network and information systems security was approved at the General Council Session held on 9 June 2022. The Law lays out 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 2022, amending Law 9/2005 of 21 February 2005, 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 6 December 2023, was approved concerning the Information Security Policy of the Government of Andorra and the creation of the Information Security Committee

48.1.12. Decree 415/2024 of 30 October 2024 approving the Regulation updating essential services and important services in Annex I and Annex II of Law 22/2022 of 9 June 2022 on measures for the security of networks and information systems.

For compliance with obligations related to essential and important services identified for the first time in this regulation, i.e., not identified prior to the Notice of 30 November 2022 published by the National Cybersecurity Agency, a transitional period of 12 months is established from the date of entry into force of this regulation. The Notice of 30 November 2022 published by the National Cybersecurity Agency listing the essential and important services of the Principality of Andorra is repealed.

48.1.13 Decree 416/2024 of 30 October 2024 amending Decree 418/2022 of 12 October 2022 approving the Regulation on critical infrastructures of the Principality of Andorra.

Critical entities and entities equivalent to critical entities have a period of 18 months from the date of entry into force of this regulation to adapt to compliance with the obligations included in this regulation, exclusively regarding the requirement for an external security audit for subcontracted entities.

Likewise, critical entities and entities equivalent to critical entities have a period of 18 months from the date of entry into force of this regulation to comply with the obligations included in this regulation regarding the requirement to certify that the services, technologies, or products acquired by these entities are included in the Register of Certified Components prepared by the ANC-AD.

48.1.14 Decree 417/2024 of 30 October 2024 amending Decree 417/2022 of 12 October 2022 approving the Regulation of the National Security Scheme of the Principality of Andorra.

Essential and important entities have a period of 18 months from the date of entry into force of this regulation to adapt to the obligations, exclusively regarding the requirement for an external security audit for subcontracted entities.

Likewise, essential and important entities have a period of 18 months from the date of entry into force of this regulation to comply with the provisions regarding the requirement to certify that the services, technologies, or products acquired by these entities are included in the Register of Certified Components prepared by the ANC-AD.

48.1.15 Law 7/2024 of 27 May 2024 on the organisation and operation of operational entities of the financial system and market abuse.

This new law aims to update Andorran regulations to align them with MiFID II regulations. In particular, it introduces new obligations regarding advice, portfolio management, suitability and appropriateness, product governance, customer information, incentives and remuneration, conflicts of interest, asset safeguarding, record-keeping, best execution, and internal control.

48.1.16 Regulation implementing Law 7/2024 of 27 May on the organisation and operation of operational entities of the financial system and market abuse.

This new regulation represents progress in standardising the rules applicable to operational entities of the financial system, as it clarifies how they should comply with certain obligations. Similarly, this regulation constitutes an improvement in the protection of investment services customers. In particular, it introduces new obligations regarding advice, portfolio management, suitability and appropriateness, product governance, customer information, incentives and remuneration, conflicts of interest, asset safeguarding, transaction reporting, record-keeping, best execution, and internal control.

48.1.17 Law 17/2024 of 28 November 2024 amending Law 35/2018 of 20 December 2018 on the solvency, liquidity, and prudential supervision of banking entities and investment firms.

This law amends, among others, Law 10/2008 of 12 June 2008 regulating collective investment undertakings under Andorran law, regarding the advertising of CIU and amendments to their regulations, the minimum content of the full prospectus, and prior notification before the dissolution and liquidation of these entities to participants. It also amends Law 7/2024 of 27 May 2024 on the organisation and operation of operational entities of the financial system and market abuse regarding the corporate governance system and the management and execution of orders.

48.1.18 Law 10/2024 of 27 May 2024 on the audit of accounts of the Principality of Andorra.

This law came into force the day after its publication in the Official Gazette of the Principality of Andorra and applies to reports corresponding to accounting periods beginning on and after 1 January 2025.

48.1.19 Decree 464/2024 of 27 November 2024 approving the amendment of the Corporate Income Tax Regulation, the Personal Income Tax Regulation, and the Non-Resident Income Tax Regulation.

This new regulation amends the old regulations on corporate income tax, personal income tax and non-resident income tax to develop and adapt them to the amendments laid out by Law 5/2023 of 19 January 2023 on measures for the reform of direct taxation and the amendment of other tax and customs regulations, explained in note 2.13.5.

48.2. Regulations relating to the Russia-Ukraine military conflict

48.2.1. Decree 71/2023 of 8 February 2023, amending Decree 111/2022 of 25 March 2022, on restrictive measures relating to 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 2022, 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 October 2023 amending the first Decree 111/2022 of 25 March 2022.

48.2.2 Decree 491/2024 of 23 December 2024 on restrictive measures relating to the conflict between Ukraine and the Russian Federation.

Consequently, this decree follows on from Decree 16/2024 of 17 January 2024 on restrictive measures relating to the conflict between Ukraine and Russia, and Decree 87/2024 of 6 March 2024, which amends Decree 16/2024 of 17 January 2024. Additionally, it incorporates the restrictive measures adopted by the Council of the European Union since 2022, without prejudice to any more restrictive internal regulations that may be in force. It also includes 116 new entities and 157 individuals who directly support the military and industrial complex of the Russian Federation and the Republic of Belarus, or who are responsible for actions that undermine or threaten the territorial integrity, sovereignty, and independence of Ukraine.

48.3 Legislation relating to COVID-19

48.3.1. Decree approving an extraordinary guarantee programme for companies and businesses due to the health emergency triggered 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 triggered 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.

Based on the Government's willingness to support the country's economic fabric and guarantee jobs, this decree 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 tensions or difficulties in meeting their normal and necessary operating expenses, especially the payment of employee salaries.

The purpose 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 had 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 of Euros 60 million was intended to cover the operational costs of companies and self-employed workers. The second, in the amount of Euros 70 million, was intended to refinance the loan repayments that these business owners and self-employed workers may have had.

48.3.2. 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 facilities, aimed at providing liquidity to the country's companies and businesses to respond to the payment of the employer's share of the furloughing or the reduction of working hours, the financing of loan repayments and possible investments for fitting out establishments for customer services 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 leases on commercial premises, the cost of fuel for transport, and replacing the payment of the employer's share of the furloughing and/or reduction of working hours with staff expenses, understood as the cost of wages and salaries and contributions to the Andorran Social Security Fund.

This second government guarantee programme was for a total amount of up to Euros 100 million.

48.3.3. 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 2021 amending 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.

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 furlough 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 furlough. 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 such 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 revenue.

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).

48.3.4. Decree 323/2021 of 29 September 2021, and its subsequent amendments, 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 of Euros 60 million and Euros 70 million, granted by banks to the economic fabric with the guarantee and payment of interest by the government.

The Decree of May 2020, and its subsequent amendments, approved an extraordinary programme of state-backed guarantees for a total amount of up to Euros 100 million, which was arranged in guaranteed financing facilities. This programme was intended to provide liquidity to companies and businesses in the country to cover various types of payments.

Decree 323/2021 of 29 September 2021, subsequently amended by Decree 180/2022 of 5 May 2022, set out 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.

On 3 August 2023 the last repayment/ loan conversion was made on the outstanding debt.

48.4. Fundació Privada Crèdit Andorrà

Crèdit Andorrà, SA incorporated 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 entered in the Register of Foundations under number 7/2010, in accordance with Law 11/2008 of 12 June 2008, amended by Law 25/2021 of 14 October 2021.

The purpose of the Foundation, which was set up as a non-profit organisation, is to contribute to the qualitative development of Andorran society through various programmes. Since its inception the Foundation has grown, both in the number of programmes it develops and in the resources it allocates thereto, enabling it to become one of the main private foundations in the country.

Year after year, the Fundació Privada Crèdit Andorrà allocates a significant amount of resources, both economic and human, to benefit the people of Andorra, with the aim of contributing to creating a fairer society with a higher standard of living.

During 2024, and always with the aim of adapting its initiatives to the needs of the country, it has focused on training and acquiring knowledge for the different groups it works with. At the same time, it has responded to requests that favour a better quality of life for the most vulnerable groups in our society.

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 2024 and the date these consolidated financial statements were authorised for issue.

Note English translation

These consolidated financial statements are a free translation of the consolidated financial statements originally issued in Catalan. In the event of a discrepancy, the Catalan language version prevails. These consolidated financial statements are prepared according to International Financial Reporting Standards as adopted by Andorra (IFRS-Andorra) and International Financial Reporting Standards as adopted by the European Union (IFRS-EU).

Appendix I - Investments in fully consolidated companies

Appendix I, which is an integral part of note 3, includes a breakdown of the subsidiaries, both fully consolidated and consolidated using the equity method, that make up the Creand Group at 31 December 2024 and 2023.

Appendix I.1 – Investments in fully consolidated companies – 31/12/2024



Company	Registered office	Activity	% voting rights			Thousands of Euros				
			Direct	Indirect	Total	Carrying amount	Assets	Liabilities	Equity	Profit/loss
Crédit-Invest SA	Andorra	Fund manager	100.0%		100.0%	744	12,084	2,919	9,165	4,531
Crédit Initiatives SA	Andorra	Venture capital	100.0%		100.0%	8,459	12,046	18	12,028	231
Vestio Finance Services SL	Spain			58.3%		503	2,076	2,944	-868	-691
Patrigest SAU	Andorra	Holding	100.0%		100.0%	7,362	14,683	1,323	13,360	758
Casamanya Ltd.	Malta	Instrumental		100.0%	100.0%	-	-	-	-	-7
Crédit Capital Immobiliari SA	Andorra	Instrumental	100.0%		100.0%	60,899	59,184	127	59,057	1,235
Crédit Andorrà Panamá Holding SA	Panama	Holding	100.0%		100.0%	15,374	14,763	284	14,479	83
Banco Crédito Andorrà (Panamá) SA	Panama	Banking	100.0%		100.0%	11,503	180,702	153,882	26,820	1,946
Crédit Andorrà Panamá Patrimonial SA	Panama	Holding	100.0%		100.0%	3,207	3,327	12	3,315	45
Private Investment Management Advisors Panamá SA	Panama	Investment advisor	100.0%		100.0%	48	1,876	328	1,548	441
Informática Crédito Andorrà SLU	Andorra	Instrumental	100.0%		100.0%	33,368	40,322	2,331	37,991	1,687
Banque de Patrimoines Privés SA	Luxembourg	Banking	100.0%		100.0%	37,618	782,383	713,869	68,514	3,019
Banco Alcalá SA	Spain	Banking	91.0%		91.0%	43,060	419,643	383,243	36,400	500
Gesatcalá SA	Spain	Fund manager		91.0%	91.0%	19,721	8,852	3,772	5,080	866
CA Peru SAC (in liquidation)	Peru	Securities firm	100.0%		100.0%	-	1	94	-93	-29
Beta Capital Securities LLC	USA	Securities firm	100.0%		100.0%	6,873	69,652	43,949	25,703	2,837
Crédit Andorrà US GP LLC	USA	Holding	100.0%		100.0%	40,641	253	1,367	-1,114	-1,197
Beta Capital Management LLC	USA	Investment advisor		100.0%	100.0%	-7,567	3,958	1,471	2,487	1,609
Crédit Assegurances SAU	Andorra	Insurance	100.0%		100.0%	9,000	288,410	254,960	33,450	5,625
CA Vincles Actuarial SLU	Andorra	Actuarial advisor	100.0%		100.0%	3	844	319	525	21
Enterprise Risk Management SA	Spain	Insurance broker	10.0%		100.0%	191	839	300	539	-35
Vall Banc Assegurances SAU, en liquidació	Andorra	Insurance	100.0%		100.0%	-	-	-	-	-1

Appendix I.2 – Investments in fully consolidated companies – 31/12/2023

Societat	Registered office	Activity	% voting rights			Thousands of Euros					
			Direct	Indirect	Total	Carrying amount	Assets	Liabilities	Equity	Profit/loss	
Credi-Invest SA	Andorra	Fund manager	100.0%		100.0%	744	6,167	1,522	31,12,23	4,646	3,858
Crédit Initiatives SA	Andorra	Venture capital	100.0%		100.0%	8,459	11,818	89	31,12,23	11,729	1,122
Patigest SAU	Andorra	Holding	100.0%		100.0%	7,362	14,834	2,232	31,12,23	12,602	1,199
Casamanya Ltd.	Malta	Instrumental		100.0%	100.0%	-	8	1	31,12,23	7	-3
Crédit Capital Immobiliari SA	Andorra	Instrumental	100.0%		100.0%	60,899	57,925	103	31,12,23	57,823	1,150
Crédit Andorrà Panamá Holding SA	Panama	Holding	100.0%		100.0%	14,454	13,880	348	31,12,23	13,532	-1
Banco Crédito Andorrà (Panamá) SA	Panama	Banking	100.0%		100.0%	10,814	141,150	117,837	31,12,23	23,312	2,226
Crédit Andorrà Panamá Patrimonial SA	Panama	Holding	100.0%		100.0%	3,015	3,086	12	31,12,23	3,074	34
Private Investment Management Advisors Panamá SA	Panama	Investment advisor	100.0%		100.0%	45	1,247	128	31,12,23	1,119	352
Informática Crédito Andorra SLU	Andorra	Instrumental	100.0%		100.0%	33,368	38,613	2,308	31,12,23	36,304	1,230
Banque de Patrimoines Privés SA	Luxembourg	Banking	100.0%		100.0%	37,618	666,439	600,081	31,12,23	66,357	6,855
Banco Alcalá SA	Spain	Banking	91.0%		91.0%	43,060	391,496	355,596	31,12,23	35,900	262
Gesalcalá SA	Spain	Fund manager	91.0%		91.0%	19,721	7,344	2,420	31,12,23	4,923	362
CA Holding Luxembourg SARL	Luxembourg	Holding	100.0%		100.0%	-	-	-	31,12,23	-	-126
Crédit Andorrà Holding España SAU	Spain	Holding	100.0%		100.0%	-	-	-	31,12,23	-	-28
CA Peru SAC (in liquidation)	Peru	Securities firm	100.0%		100.0%	-	4	75	31,12,23	-72	-25
CA México Asesores Patrimoniales SA de CV	Mexico	Investment advisor	100.0%		100.0%	-	-	-	31,12,23	-	-127
Beta Capital Securities LLC	USA	Securities firm	100.0%		100.0%	5,231	53,964	33,804	31,12,23	20,159	2,473
Crédit Andorrà US GP LLC	USA	Holding	100.0%		100.0%	38,210	1,327	1,209	31,12,23	118	-1,198
Beta Capital Management LLC	USA	Investment advisor	100.0%		100.0%	-4,725	4,444	1,291	31,12,23	3,153	1,802
Crédit Assegurances SAU	Andorra	Insurance	100.0%		100.0%	9,000	274,528	240,073	31,12,23	34,456	6,234
CA Vincles Actuarial SLU	Andorra	Actuarial advisor	100.0%		100.0%	3	1,460	280	31,12,23	1,180	22
Enterprise Risk Management SA	Spain	Insurance broker	10.0%	90.0%	100.0%	3,667	3,927	300	31,12,23	3,626	-6
Vall Banc Fons SAU	Andorra	Fund manager	100.0%		100.0%	-	-	-	31,12,23	-	-7
Vall Banc Assegurances SAU	Andorra	Insurance	100.0%		100.0%	1,974	2,512	208	31,12,23	2,304	533
Argentina Patrimonis EAF SL	Spain	Holding	100.0%		100.0%	-	-	-	31,12,23	-	-62

Appendix I.3 - Investments in companies accounted for using the equity method - 31/12/2024

Societat	Registered office	Activity	% voting rights controlled by the Bank		Thousands of Euros						
			Direct	Indirect	Equity-accounted		Investee data		Equity	Profit/loss	
					31.12.24	31.12.24	31.12.24	31.12.24			31.12.24
Cliniques Geriátriques SA	Andorra	Services for the elderly		25.0%	25.0%	1,813	7,253	-	-	7,253	82
Societat Pirenaica d'Aparcaments SA	Andorra	Car parking operator		25.0%	25.0%	868	583	-	-	583	150
CA Life Insurance Experts, Compañía de Seguros y Reaseguros SAU	Spain	Insurance		25.0%	25.0%	2,847	26,658	16,506	10,152	10,152	146
CA Vida Assegurances SAU	Andorra	Insurance		49.0%	49.0%	24,330	15,860	4,174	11,686	11,686	5,370
Actiu Assegurances SA	Andorra	Insurance		24.9994%	24.9994%	4,445	28,843	12,826	16,017	16,017	552
Grup Setap 365	Andorra	Sports management	38.8%		38.8%	47,971	123,753	-	123,753	123,753	-2,852
Serveis i Mitjans de Pagament XXI SA	Andorra	POS services	33.3%		33.3%	321	964	-	964	964	302
Ensisa Patrimoni 365 SL	Andorra	Sports management	49.6%		49.6%	3,621	7,306	-	7,306	7,306	6
						86,216					

Appendix I.4 - Investments in companies accounted for using the equity method - 31/12/23

Societat	Registered office	Activity	% voting rights controlled by the Bank			Thousands of Euros					
			Direct	Indirect	Total	Equity-accounted	Assets	Liabilities	Equity	Profit/loss	
Cliniques Geriàtriques SA	Andorra	Services for the elderly		25%	25%	1,793	7,171	-	-	7,171	302
Societat Pirenaica d'Aparcaments SA	Andorra	Car parking operator		25%	25%	866	575	-	-	575	160
CA Life Insurance Experts, Compañia de Seguros y Reaseguros SAU	Spain	Insurance		44%	44%	4,872	26,578	16,742	16,742	9,836	477
CA Vida Assegurances SAU	Andorra	Insurance		49%	49%	23,835	18,690	7,803	7,803	10,887	4,614
Actiu Assegurances SA	Andorra	Insurance		24.9994%	24.9994%	4,306	29,216	13,879	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 Milijans 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 II- Annual report

This annual report has been prepared in compliance with the provisions of Article 90 of Law 35/2018 of 20 December 2018 on solvency, liquidity and prudential supervision of banking institutions and investment firms of the Government of Andorra.

The criteria used for preparing the report for 2024 are detailed below.

a. Name, nature of activities 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 activities.

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 income statement and excluding discontinued operations.

c. Number of full-time equivalent employees

The full-time workforce at 31 December 2024, distributed by country, can be seen in the accompanying table.

d. Public grants received

During 2024, 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 2024, the return on assets for the Group, calculated by dividing the “Gains or losses for the year” by the “Total assets”, is 1.05%.

Jurisdiction	Thousands of Euros			
	Subsidiary data			
	Business volume	Number of employees	Pre-tax profit/loss	Income tax
Andorra	150,341	508	63,868	2,638
Spain	23,561	122	1,073	291
Luxembourg	25,818	117	3,826	806
Panama	6,484	36	2,449	22
United States	15,070	40	4,422	1,173
Peru	-	-	-29	-
Malta	-7	-	-7	-
Group Total	221,267	823	75,602	4,930

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 the 2024 and 2023 reporting dates.

Appendix III.1 Assets - 31/12/2024

In thousands of Euros	Banking activity	Securities brokerage activity	Total
Cash, cash balances at central banks and other demand deposits	59,518	871	60,389
Financial assets held for trading	272	-	272
Derivatives	272	-	272
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 designated 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	92,380	26,283	118,663
Loans and advances	92,380	26,283	118,663
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	239	-	239
Property, plant and equipment	239	-	239
Investment property	-	-	-
Intangible assets	-	-	-
Goodwill	-	-	-
Other intangible assets	-	-	-
Tax assets	-	-	-
Current tax assets	-	-	-
Deferred tax assets	-	-	-
Other assets	1,120	19	1,139
Non-current assets and disposal groups classified as held for sale	-	-	-
Total assets	153,529	27,173	180,702
Balance sheet converted into Euros at consolidation exchange rates			

Appendix III.2 Liabilities - 31/12/2024

In thousands of Euros	Banking activity	Securities brokerage activity	Total
Financial liabilities held for trading	267	-	267
Derivatives	267	-	267
Short positions	-	-	-
Deposits	-	-	-
Debt securities issued	-	-	-
Other financial liabilities	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-
Deposits	-	-	-
Debt securities issued	-	-	-
Other financial liabilities	-	-	-
Financial liabilities at amortised cost	152,438	-	152,438
Deposits	152,198	-	152,198
Debt securities	-	-	-
Other financial liabilities	240	-	240
Derivatives - hedge accounting	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-
Provisions	-	-	-
Pensions and other post-employment defined benefit obligations	-	-	-
Other long-term employee benefits	-	-	-
Restructuring	-	-	-
Pending legal issues and tax litigation	-	-	-
Commitments and guarantees given	-	-	-
Other provisions	-	-	-
Tax liabilities	-	-	-
Current tax liabilities	-	-	-
Deferred tax liabilities	-	-	-
Share capital repayable on demand	-	-	-
Other liabilities	-2,109	3,286	1,177
Liabilities included in disposal groups classified as held for sale	-	-	-
	-	-	-
Total liabilities	150,596	3,286	153,882

Balance sheet converted into Euros at consolidation exchange rates

Appendix III.3 Equity - 31/12/2024

In thousands of Euros	Banking activity	Securities brokerage activity	Total
Capital	-	11,503	11,503
Paid up capital	-	11,503	11,503
Unpaid capital which has been called up	-	-	-
Share premium	-	-	-
Equity instruments issued other than capital	-	-	-
Equity component of compound financial instruments	-	-	-
Other equity instruments issued	-	-	-
Other equity	-	-	-
Accumulated other comprehensive income	-	-	-
Items that will not be reclassified to profit or loss	-	-	-
Tangible assets	-	-	-
Intangible assets	-	-	-
Actuarial gains or losses on defined benefit pension plans	-	-	-
Non-current assets and disposal groups classified as held for sale	-	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	-	-	-
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-	-
Accumulated fair value changes of financial liabilities at fair value through changes in credit risk	-	-	-
Items that may be reclassified 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 (not designated elements)	-	-	-
Non-current assets and disposal groups classified as held for sale	-	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-	-
Retained earnings	-	11,217	11,217
Revaluation reserves	-	-	-
Other reserves	2,109	45	2,154
Other	2,076	-	2,076
Conversion differences	33	45	78
(-) Treasury shares	-	-	-
Profit for the year	824	1,122	1,946
(-) Interim dividends	-	-	-
Total equity	2,933	23,887	26,820
Total equity and liabilities	153,529	27,173	180,702

Balance sheet converted into Euros at consolidation exchange rates

As regards other relevant information, guarantees in the amount of Euros 21 million are in the banking company and the custodian customers in the amount of Euros 476 million belonging to the securities brokerage firm.

Appendix III.4 Income statement - 31/12/2024

In thousands of Euros	Banking activity	Securities brokerage activity	Total
Interest income	7,524	747	8,271
Financial assets at fair value through other comprehensive income	7,524	747	8,271
Financial assets at amortised cost	-	-	-
Other interest income	-	-	-
(Interest expenses)	-4,683	-	-4,683
(Expenses on share capital repayable on demand)	-	-	-
Dividend income	-	-	-
Fee and commission income	119	3,075	3,194
(Fee and commission expenses)	-294	-1,226	-1,520
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	-	202	202
Reclassification of financial assets out of fair value through other comprehensive income	-	-	-
Reclassification of financial assets out of measured at 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 out of fair value through other comprehensive income	-	-	-
Reclassification of financial assets out of amortised cost	-	-	-
Other gains or losses	-	-	-
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-	-
Gains or losses from hedge accounting, net	-	-	-
Exchange differences (gain or loss), net	71	-	71
Gains or losses on derecognition of non-financial assets, net	-	-	-
Other operating income and expenses	50	-	50
Total operating income/expenses, net	2,787	2,798	5,585
	-	-	-

Appendix III.4 Income statement - 31/12/2024 (continued)

In thousands of Euros	Banking activity	Securities brokerage activity	Total
	-	-	-
(Administrative expenses)	-1,883	-1,676	-3,559
(Staff expenses)	-893	-985	-1,878
(Other administrative expenses)	-990	-691	-1,681
(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 modification gains or losses)	3	-	3
(Financial assets at cost)	-	-	-
(Financial assets at fair value through other comprehensive income)	-	-	-
(Financial assets at amortised cost)	3	-	3
(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 the profit or loss of investments in subsidiaries, joint ventures and associates	-	-	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-	-	-
Profit or loss before tax from continuing operations	824	1,122	1,946
(Tax expense or income related to profit or loss from continuing operations)	-	-	-
Profit or loss after tax from continuing operations	824	1,122	1,946
Profit or loss after tax from discontinued operations	-	-	-
Profit or loss before tax from discontinued operations	-	-	-
(Tax expense or income related to profit or loss from discontinued operations)	-	-	-
Profit or loss for the year	824	1,122	1,946
Earnings per share (basic) - in Euros	-	-	-
Earnings per share (diluted) - in Euros	-	-	-
Converted into Euros at consolidation exchange rates			

Appendix III.5 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 designated 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 Euros at consolidation exchange rate.

Appendix III.6 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 designated 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 post-employment defined benefit obligations	-	-	-
Other long-term employee benefits	-	-	-
Restructuring	-	-	-
Pending legal issues and tax litigation	-	-	-
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 Euros at consolidation exchange rate.

Appendix III.7 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 capital which has been called up	-	-	-
Share premium	-	-	-
Equity instruments issued other than capital	-	-	-
Equity component of compound financial instruments	-	-	-
Other equity instruments issued	-	-	-
Other equity	-	-	-
Accumulated other comprehensive income	-	-	-
Items that will not be reclassified to profit or loss	-	-	-
Tangible assets	-	-	-
Intangible assets	-	-	-
Actuarial gains or losses on defined benefit pension plans	-	-	-
Non-current assets and disposal groups classified as held for sale	-	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	-	-	-
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-	-
Accumulated fair value changes of financial liabilities at fair value through changes in credit risk	-	-	-
Items that may be reclassified 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 (not designated elements)	-	-	-
Non-current assets and disposal groups classified as held for sale	-	-	-
Share of other recognised income and expense 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 for the year	1,753	473	2,226
(-) Interim dividends	-	-	-
Total equity	12,034	11,278	23,312
Total equity and liabilities	127,306	13,844	141,150

Balance sheet converted into Euros at consolidation exchange rate.

As other relevant information, guarantees in the amount of Euros 28 million are in the banking company and the custodian customers in the amount of Euros 434 million belong to the securities brokerage firm.

Appendix III.8 Income statement - 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 on share capital repayable on demand)	-	-	-
Dividend income	-	-	-
Fee and commission income	458	2,505	2,963
(Fee and commission expenses)	-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 out of fair value through other comprehensive income	-	-	-
Reclassification of financial assets out of measured at 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 out of fair value through other comprehensive income	-	-	-
Reclassification of financial assets out of amortised cost	-	-	-
Other gains or losses	-	-	-
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-	-
Gains or losses from hedge accounting, net	-	-	-
Exchange differences (gain or loss), net	91	-	91
Gains or losses on derecognition of non-financial assets, net	-	-	-
Other operating income and expenses	16	-	16
Total operating income/expenses, net	3,642	1,903	5,545

Appendix III.8 Income statement - 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 modification gains or losses)	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 the profit or loss of investments in subsidiaries, joint ventures and associates	-	-	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-	-	-
Profit or loss before tax from continuing operations	1,753	473	2,226
(Tax expense or income related to profit or loss from continuing operations)	-	-	-
Profit or loss after tax from continuing operations	1,753	473	2,226
Profit or loss after tax from discontinued operations	-	-	-
Profit or loss before tax 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 Euros at consolidation exchange rates

Appendix IV - Liabilities under insurance and reinsurance contracts - Reconciliation

Appendix IV.1 - Reconciliation of liability for remaining coverage and liabilities for incurred claims of insurance contracts measured using general method (BBA) - 31/12/2024

in thousands of Euros	Liabilities for remaining coverage			Liabilities under insurance contracts
	Excluding loss component	Loss component - onerous contracts	Liabilities for incurred claims	
Balance 31/12/2023	97,209	10,197	1,938	109,344
Insurance activity income	-7,347	-	-	-7,347
Insurance activity expenses	207	-3,734	6,888	3,361
Changes related to current service	207	-109	6,816	6,914
Incurred claims and other expenses	-	-109	6,816	6,707
Amortisation of insurance acquisition cash flows	207	-	-	207
Recognition of acquisition cash flow balances	3	-	-	3
Changes in cash flows from past and current service acquisitions	204	-	-	204
Changes related to future services	-	-3,625	-	-3,625
Losses on onerous contracts on initial recognition	-	-	-	-
Losses on onerous contracts excluding initial recognition	-	129	-	129
Reversal of losses on onerous contracts	-	-3,754	-	-3,754
Changes related to past service	-	-	72	72
Changes to liabilities for incurred claims	-	-	72	72
Profit/(loss) of the insurance activity service	-7,140	-3,734	6,888	-3,986
Finance costs of insurance activity in Profit/(loss)	3,686	401	-	4,087
Reduction of initial discount rate for future cash flows	955	4	-	959
Reduction of current discount rate for future cash flows	833	216	-	1,049
Changes in discount rate	1,570	184	-	1,754
Changes in present value of future cash flows using current discount rate - changes in present value of future cash flows using initial discount rate	328	-3	-	325
Exchange rate differences in income statement	-	-	-	-
Finance costs of insurance activity in Other comprehensive income	6,535	129	-	6,664
Difference between current and initial discount rate reduction	3,357	59	-	3,416
Changes in discount rate	1,471	38	1	1,510
Changes in present value of future cash flows using current discount rate - changes in present value of future cash flows using initial discount rate	1,707	32	-1	1,738
Exchange rate differences in Other comprehensive income	-	-	-	-
Finance costs of insurance activity	10,221	530	-	10,751
Incurred investment components	-12,725	-	12,725	-
Other changes	-	-	-	-
Total changes in statement of comprehensive income	3,081	-3,204	6,888	6,765
Premiums received	29,184	224	-	29,408
Claims paid	-	-	-20,796	-20,796
Expenses paid	-	-	-322	-322
Cash flows paid for insurance acquisitions	-272	-	-	-272
Total cash flows	28,912	224	-21,118	8,018
Balance 31/12/2024	116,477	7,217	433	124,127

Appendix IV. 2 - Reconciliation of liability for remaining coverage and liabilities for incurred claims of insurance contracts measured using general method (VFA) - 31/12/2024

in thousands of Euros	Liabilities for remaining coverage		Liabilities for incurred claims	Liabilities under insurance contracts
	Excluding loss component	Loss component - onerous contracts		
Balance 31/12/2023	92,780	13,569	4,193	110,542
Insurance activity income	-3,655	-	-	-3,655
Insurance activity expenses	54	756	2,657	3,467
Changes related to current service	54	-111	2,657	2,600
Incurred claims and other expenses	-	-111	2,657	2,546
Amortisation of insurance acquisition cash flows	54	-	-	54
Recognition of acquisition cash flow balances	-	-	-	-
Changes in cash flows from past and current service acquisitions	54	-	-	54
Changes related to future services	-	867	-	867
Losses on onerous contracts on initial recognition	-	361	-	361
Losses on onerous contracts excluding initial recognition	-	6	-	6
Reversal of losses on onerous contracts	-	-919	-	-919
Finance costs on onerous contracts or reversal thereof	-	1,419	-	1,419
Changes related to past service	-	-	-	-
Changes to liabilities for incurred claims	-	-	-	-
Profit/(loss) of the insurance activity service	-3,601	756	2,657	-188
Finance costs of insurance activity in Profit/(loss)	16,138	-11,638	12	4,512
Reduction of initial discount rate for future cash flows	-	-	-	-
Reduction of current discount rate for future cash flows	3,380	85	1	3,466
Changes in discount rate	17,758	-11,723	11	6,046
Changes in present value of future cash flows using current discount rate - changes in present value of future cash flows using initial discount rate	-	-	-	-
Financial interest	-5,000	-	-	-5,000
Finance costs of insurance activity in Other comprehensive income	-	-	-	-
Difference between current and initial discount rate reduction	-	-	-	-
Changes in discount rate	-	-	-	-
Changes in present value of future cash flows using current discount rate - changes in present value of future cash flows using initial discount rate	-	-	-	-
Finance costs of insurance activity	16,138	-11,638	12	4,512
Incurred investment components	-6,572	-	6,572	-
Total changes in statement of comprehensive income	5,965	-10,882	9,241	4,324
Premiums received	7,978	-	-	7,978
Claims paid	-	-	-8,031	-8,031
Expenses paid	-	-	-65	-65
Cash flows paid for insurance acquisitions	-56	-	-	-56
Total cash flows	7,922	-	-8,096	-174
Balance 31/12/2024	106,667	2,687	5,338	114,692

Appendix IV. 3 - Reconciliation of valuation components of insurance contracts measured using general method (BBA) - 31/12/2024

in thousands of Euros	Present value of future cash flows	Risk adjustment	Contractual margin	Liabilities under insurance contracts
Balance 31/12/2023	103,855	2,589	2,900	109,344
Changes related to future service	-7,473	241	3,606	-3,626
Contracts recognised initially in period	-4,441	252	4,189	-
Changes in estimates reflected in contractual margin	546	36	-583	-1
Changes in estimates resulting in losses on onerous contracts or reversal of losses	-3,578	-47	-	-3,625
Changes related to current service	28	-104	-357	-433
Contractual service margin for services provided	-	-	-357	-357
Risk adjustment for past due risk	-	-104	-	-104
Expert adjustment	28	-	-	28
Changes related to past service	72	-	-	72
Adjustment to liability for incurred claims	72	-	-	72
Profit/(loss) of the insurance activity service	-7,373	137	3,249	-3,987
Finance costs of insurance activity in Profit/(loss)	3,878	-	208	4,086
Reduction of initial discount rate for future cash flows	752	-	208	960
Reduction of current discount rate for future cash flows	1,049	-	-	1,049
Changes in discount rate	1,751	-	-	1,751
Changes in present value of future cash flows using current discount rate - changes in present value of future cash flows using initial discount rate	326	-	-	326
Exchange rate differences in profit/(loss)	-	-	-	-
Finance costs of insurance activity in Other comprehensive income	6,665	-	-	6,665
Difference between current and initial discount rate reduction	3,416	-	-	3,416
Changes in discount rate	1,511	-	-	1,511
Changes in present value of future cash flows using current discount rate - changes in present value of future cash flows using initial discount rate	1,738	-	-	1,738
Exchange rate differences in other comprehensive income	-	-	-	-
Finance costs of insurance activity	10,543	-	208	10,751
Other changes	-	-	211	211
Total changes in statement of comprehensive income	3,170	137	3,668	6,975
Premiums collected	26,929	-	-	26,929
Claims paid	-18,527	-	-	-18,527
Expenses paid	-322	-	-	-322
Cash flows paid for insurance acquisitions	-272	-	-	-272
Total cash flows	7,808	-	-	7,808
Balance 31/12/2024	114,833	2,726	6,568	124,127

Appendix IV.4 - Reconciliation of valuation components of insurance contracts measured using variable fee approach (VFA) - 31/12/2024

in thousands of Euros	Present value of future cash flows	Risk adjustment	Contractual margin	Liabilities under insurance contracts
Balance 31/12/2023	108,718	349	1,475	110,542
Changes related to future service	553	36	278	867
Contracts recognised initially in period	326	35	-	361
Changes in estimates reflected in contractual margin	-3,878	19	3,859	-
Financial charge reflected in contractual margin	3,581	-	-3,581	-
Changes in estimates resulting in losses on onerous contracts or reversal of losses	-895	-18	-	-913
Financial charge on losses on onerous contracts or reversal of losses	1,419	-	-	1,419
Changes related to current service	-939	-23	-93	-1,055
Contractual service margin for services provided	-	-	-93	-93
Risk adjustment for past due risk	-	-23	-	-23
Expert adjustment	-939	-	-	-939
Changes related to past service	-	-	-	-
Adjustment to liability for incurred claims	-	-	-	-
Profit/(loss) of the insurance activity service	-386	13	185	-188
Finance costs of insurance activity in Profit/(loss)	4,512	-	-	4,512
Reduction of initial discount rate for future cash flows	-	-	-	-
Reduction of current discount rate for future cash flows	3,466	-	-	3,466
Changes in discount rate	6,046	-	-	6,046
Changes in present value of future cash flows using current discount rate - changes in present value of future cash flows using initial discount rate	-	-	-	-
Financial interest	-5,000	-	-	-5,000
Finance costs of insurance activity in Other comprehensive income	-	-	-	-
Difference between current and initial discount rate reduction	-	-	-	-
Changes in discount rate	-	-	-	-
Changes in present value of future cash flows using current discount rate - changes in present value of future cash flows using initial discount rate	-	-	-	-
Finance costs of insurance activity	4,512	-	-	4,512
Other changes	-	-	362	362
Total changes in statement of comprehensive income	4,126	13	547	4,686
Premiums received	7,616	-	-	7,616
Claims paid	-8,031	-	-	-8,031
Expenses paid	-65	-	-	-65
Cash flows paid for insurance acquisitions	-56	-	-	-56
Total cash flows	-536	-	-	-536
Balance 31/12/2024	112,308	362	2,022	114,692

Appendix IV.5 - Reconciliation of liability for remaining coverage and liabilities for incurred claims of insurance contracts measured using general method (BBA) - 31/12/2023

in thousands of Euros	Liabilities for remaining coverage		Liabilities for incurred claims	Liabilities under insurance contracts
	Excluding loss component	Loss component - onerous 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 on 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
Profit/(loss) of the insurance activity service	-10,047	-1,864	5,444	-6,467
Finance costs of insurance activity in Profit/(loss)	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 present value of future cash flows using initial discount rate	171	26	-	197
Exchange rate differences in profit/(loss)	-	-	-	-
Finance costs 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 present value of future cash flows using initial discount rate	-265	-13	-1	-279
Exchange rate differences in Other comprehensive income	-	-	-	-
Finance costs of insurance activity	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 IV.6 - Reconciliation of liability for remaining coverage and liabilities for incurred claims of insurance contracts measured using general method (VFA) - 31/12/2023

in thousands of Euros	Liabilities for remaining coverage			Liabilities under insurance contracts
	Excluding loss component	Loss component - onerous contracts	Liabilities for incurred claims	
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 on initial recognition	-	222	-	222
Losses on onerous contracts excluding initial recognition	-	4,238	-	4,238
Reversal of losses on onerous contracts	-	-15	-	-15
Finance costs on onerous contracts or reversal thereof	-	3,525	-	3,525
Changes related to past service	-	-	-29	-29
Changes to liabilities for incurred claims	-	-	-29	-29
Profit/(loss) of the insurance activity service	-9,189	7,491	2,869	1,171
Finance costs of insurance activity in Profit/(loss)	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 present value of future cash flows using current discount rate - changes in present value of future cash flows using initial discount rate	-	-	-	-
Financial interest	-7,266	-	-	-7,266
Finance costs of insurance activity in Other comprehensive income	-	-	-	-
Difference between current and initial discount rate reduction	-	-	-	-
Changes in discount rate	-	-	-	-
Changes in present value of future cash flows using current discount rate - changes in present value of future cash flows using initial discount rate	-	-	-	-
Finance costs of insurance activity	335	1,082	14	1,431
Incurred investment components	-9,949	-	6,997	-2,952
Total changes in statement of 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 IV.7 - Reconciliation of valuation components of insurance contracts measured using general method (BBA) - 31/12/2023

in thousands of Euros	Present value of future cash flows	Risk adjustment	Contractual margin	Liabilities 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 or reversal of losses	-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
Profit/(loss) of the insurance activity service	-5,476	-370	-620	-6,466
Finance costs of insurance activity in Profit/(loss)	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 discount rate - changes in present value of future cash flows using initial discount rate	197	-	-	197
Exchange rate differences in profit/(loss)	-	-	-	-
Finance costs of insurance activity in Other comprehensive income	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 discount rate - changes in present value of future cash flows using initial discount rate	-281	-	-	-281
Exchange rate differences in other comprehensive income	-	-	-	-
Finance costs of insurance activity	10,491	-	49	10,540
Other changes	-	-	-	-
Total changes in statement of comprehensive income	5,015	-370	-571	4,074
Premiums received	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 IV.8 - Reconciliation of valuation components of insurance contracts measured using variable fee approach (VFA) - 31/12/2023

in thousands of Euros	Present value of future cash flows	Risk adjustment	Contractual margin	Liabilities 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 charge 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 charge 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
Profit/(loss) of the insurance activity service	-2,611	-33	857	-1,787
Finance costs of insurance activity in Profit/(loss)	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 present value of future cash flows using current discount rate - changes in present value of future cash flows using initial discount rate	-	-	-	-
Financial interest	-7,266	-	-	-7,266
Finance costs of insurance activity in Other comprehensive income	-	-	-	-
Difference between current and initial discount rate reduction	-	-	-	-
Changes in discount rate	-	-	-	-
Changes in present value of future cash flows using current discount rate - changes in present value of future cash flows using initial discount rate	-	-	-	-
Finance costs of insurance activity	1,437	-	-	1,437
Total changes in statement of comprehensive income	-1,174	-33	857	-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	-10,508	-	-	-10,508
Balance 31/12/2023	108,718	349	1,475	110,542



Appendix V.1. Reconciliation statements - Statement of financial position at 31/12/2022 - Restatement - Assets

	In thousands of Euros		IFRS 9 reclassifications to:		IFRS 17	31/12/2022		
	Measurement	Measurement	Amortised	Fair value			Other	Carrying
Cash, cash balances at central banks and other demand deposits	Amortised	Amortised cost						
Cash			302,620	-	-	302,620		
Cash balances in central banks			38,379	-	-	38,379		
Other demand deposits			18,947	-	-	18,947		
Financial assets held for trading	Fair value through profit or loss	Fair value through profit or loss	60,400	-	-	60,400		
Derivatives			51,489	-	-	51,489		
Equity instruments			3,085	-	-	3,085		
Debt securities			5,826	-	-	5,826		
Non-trading financial assets mandatorily at fair value through profit or loss	n/a	Fair value through profit or loss	131,829	-	-	131,829		
Equity instruments			127,379	-	-	127,379		
Debt securities			4,450	-	-	4,450		
Financial assets designated at fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	136,717	17,038	53	153,808		
Equity instruments			136,717	17,038	53	153,808		
Financial assets at fair value through other comprehensive income	n/a	Fair value through other comprehensive income	212,216	77,980	376	290,572		
Equity instruments			13,582	-	-	13,582		
Debt securities			198,634	77,980	376	276,990		
Held-to-maturity investments	Amortised cost	n/a	95,018	-95,018	-	-		
Debt securities			95,018	-95,018	-	-		
Financial assets at amortised cost	n/a	Amortised cost	5,084,779	-	-	5,084,779		
Loans and advances			3,307,141	-	-	3,307,141		
Loans and advances			683,111	-	-	683,111		
Credit institutions			2,624,030	-	-	2,624,030		
Customers			1,777,638	-	-	1,777,638		
Derivatives - hedge accounting	Fair value	Fair value	1,413	-	-	1,413		
Fair value changes of the hedged items in portfolio hedge of interest rate risk	n/a	n/a	89,792	-	-184	89,608		
Investments in joint ventures and associates	n/a	n/a	160	-	-	160		
Assets under insurance and reinsurance contracts	n/a	n/a	208,356	-	-	208,356		
Tangible assets	n/a	Property, plant and equipment	157,871	-	-	157,871		
Investment property			50,485	-	-	50,485		
Intangible assets	n/a	n/a	112,887	-	-	112,887		
Goodwill			73,762	-	-	73,762		
Other intangible assets			39,125	-	-	39,125		
Tax assets	n/a	n/a	16,917	1,191	-62	18,046		
Current tax assets			501	-	-	501		
Deferred tax assets			16,416	1,191	-62	17,545		
Other assets	n/a	n/a	58,285	-	-	58,285		
Non-current assets and disposal groups classified as held for sale	n/a	n/a	89,831	-	-	89,831		
Total assets			6,601,220	-95,018	-10,719	6,590,255		
			77,980	17,038	-246	6,601,220		

Note 1: For further details on reclassifications and adjustments, see Appendices V.4 and V.5.

Note 2: For those line items that have not been affected by the first-time 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	Measurement	IFRS 9 reclassifications (a):		IFRS 9:	IFRS 17 (c)	31/12/2022
			Amortised	Fair value			
			31.12.22	Fair value			
Financial liabilities held for trading			53,960	-	53,960	-	53,960
Derivatives		Fair value	53,960	-	53,960	-	53,960
Short positions	Fair value through profit or loss	Fair value through profit or loss	-	-	-	-	-
Deposits	Fair value through profit or loss	Fair value through profit or loss	-	-	-	-	-
Debt securities issued	Fair value through profit or loss	Fair value through profit or loss	-	-	-	-	-
Other financial liabilities	Fair value through profit or loss	Fair value through profit or loss	-	-	-	-	-
Financial liabilities designated 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	Fair value through profit or loss	Fair value through profit or loss	159,212	-	159,212	-	159,212
Other financial liabilities	Fair value through profit or loss	Fair value through profit or loss	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	Amortised cost	Amortised cost	51,582	-	51,582	-	51,582
Other financial liabilities	Amortised cost	Amortised cost	60,725	-	60,725	-	60,725
Derivatives - hedge accounting			511	-	511	-	511
Fair value changes of the hedged items in portfolio hedge of Liabilities under insurance and reinsurance contracts			20	-	20	-	20
Provisions			226,628	-	226,628	-	223,660
Pensions and other post-employment defined benefit	Fair value	Fair value	19,909	-	19,909	-	19,270
Other long-term employee benefits	N/A	N/A	11,715	-	11,715	-	11,076
Restructuring	N/A	N/A	2,446	-	2,446	-	2,446
Pending legal issues and tax litigation	N/A	N/A	-	-	-	-	-
Commitments and guarantees given	N/A	N/A	338	-	338	-	338
Other provisions	N/A	N/A	2,819	-	2,819	-	2,819
Tax liabilities			4,352	-	4,352	-	6,553
Current tax liabilities	N/A	N/A	158	-	158	-	158
Deferred tax liabilities	N/A	N/A	4,194	-	4,194	-	6,395
Share capital repayable on demand			83,092	-	83,092	-	83,040
Other liabilities			-	-	-	-	-
Liabilities included in disposal groups classified as held for			-	-	-	-	-
Total liabilities			6,041,812	-	6,041,812	-	6,040,354

Note 1: For further details on reclassifications and adjustments, see Appendices V.4 and V.5

Note 2: For those line items that have not been affected by the first-time 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	31.12.22	Reclassifications for	Carrying amount after	IFRS 9:	IFRS 17 (c)	31/12/2022
Capital	63,102	-	63,102	-	-	63,102
Share premium	-	-	-	-	-	-
Equity instruments issued 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 or 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 expense 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
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-
Accumulated fair value changes of financial liabilities at fair value through changes in credit risk	-	-	-	-	-	-
Items that may be reclassified to profit or loss	-13,312	7,122	-6,190	-8,772	14,903	-59
Hedge 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	-8,772	-	-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 (not designated elements)	-	-	-	-	-	-
Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-
Share of other recognised income and expense 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	-17,303	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 interests)	7,258	-	7,258	-	-	7,258
Accumulated other comprehensive income	-	-	-	-	-	-
Other items	7,258	-	7,258	-	-	7,258
Total equity	559,408	a	559,408	-10,719	1,212	549,901
Total equity and liabilities	6,601,220	-	6,601,220	-10,719	-246	6,590,255

Note 1: For further details on reclassifications and adjustments, see Appendices V.4 and V.5

Note 2: For those line items that have not been affected by the first-time application of IFRS 9 see, where applicable, the additional breakdown in the statement of financial position - Equity.

Appendix V.4 Reconciliation statements - Statement of financial position at 31/12/2022 - Restatement - Income statement

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 on share capital repayable on demand)		-		-
Dividend income	35	815		815
Fee and commission income	36	120,972		120,972
(Fee and commission expenses)	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 out of fair value through other comprehensive income		-		-
Reclassification of financial assets out of measured at 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 out of fair value through other comprehensive income		-		-
Reclassification of financial assets out of measured at amortised cost		-		-
Other gains or losses		11,706		11,706
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	37	1,863		1,863
Gains or losses from hedge accounting, net	14	702		702
Exchange 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/expenses, net		185,469	1,011	186,480

Appendix V.4 Reconciliation statements - Statement of financial position at 31/12/2022 - Restatement - Income statement (continued)

In thousands of Euros	Note	31.12.2022	Valuation changes	31/12/2022 restated
Total operating income/expenses, net		185,469	1,011	186,480
(Administrative expenses)		-141,999	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	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 modification gains or losses)	43	8,329	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 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 the profit or loss of investments in subsidiaries, joint ventures and associates	44	9,941	-193	9,748
Profit or loss from non-current assets and disposal groups classified as 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	-2,254	-5,579
Profit or loss after tax from continuing operations		43,201	1,440	44,641
Profit or loss after tax from discontinued operations		-87	-	-87
Profit or loss before tax 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 interest (non-controlling interests)		78	-	78
Attributable to owners of the Parent		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	-11,069	b	2,812	-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 expense 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 hedge accounting of equity instruments 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 their credit risk	-		-	-
Income tax relating to items that will not be reclassified	55	c	-93	-38
Items that may be reclassified to profit or loss	-10,573		1,971	-8,602
Hedge of net investments in foreign operations (effective portion)	-		-	-
Foreign currency translation	-		-	-
Hedging derivatives. Cash flow hedges (effective portion)	-		-	-
Hedging instruments (not designated elements)	-		-	-
Debt instruments at fair value through other comprehensive income	-24,162		-15,645	-39,807
Valuation gains or losses taken to equity	-20,674		-15,643	-36,317
Transferred to profit or loss	-3,488		-2	-3,490
Other reclassifications	-		-	-
Insurance products at fair value through other comprehensive income	11,463		17,834	29,297
Valuation gains or losses taken to equity	11,463		17,834	29,297
Transferred to profit or loss	-		-	-
Other reclassifications	-		-	-
Non-current assets and disposal groups classified as held for sale	-		-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-		-	-
Income tax relating to items that may be reclassified to profit or loss	2,126	c	-218	1,908
Total comprehensive income for the year	32,045		4,252	36,297
Attributable to minority interests (non-controlling interests)	78		-	78
Attributable to owners of the Parent	31,967		4,252	36,219

Appendix V.6 Reconciliation statements - Statement of financial position at 31/12/2022 - Restatement - Statement of cash flows

In thousands of Euros	2022	Reclassifications	Valuation changes	2022 restated
CASH FLOWS USED IN OPERATING ACTIVITIES	-211,744	-	-	-211,744
Profit for the year	43,036	-	1,440	44,476
Adjustments to obtain cash flows 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 in 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 designated 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 in operating liabilities	1,275,738	-	-	1,275,738
Financial liabilities held for trading	33,016	-	-	33,016
Financial liabilities designated 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 received/paid	-445	-	-	-445
CASH FLOW USED IN INVESTING 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 relating to investing activities	-6,653	-	-	-6,653
Receipts	14,145	-	-	14,145
Tangible assets - receipt	3,856	-	-	3,856
Intangible assets - receipt	-	-	-	-
Investments in joint ventures and associates - receipt	1,850	-	-	1,850
Subsidiaries and other business units - receipt	-	-	-	-
Non-current assets and liabilities classified as held for sale - receipt	8,439	-	-	8,439
Held-to-maturity investments - receipt	-	-	-	-
Other receipts relating to investing activities	-	-	-	-
CASH FLOW FROM/USED IN FINANCING ACTIVITIES	-	-	-	-
Payments	-	-	-	-
Receipts	-	-	-	-
EFFECT OF EXCHANGE RATE FLUCTUATIONS	-2,471	-	-	-2,471
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	284,625	-	-	284,625
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	587,245	-	-	587,245
CASH AND CASH EQUIVALENTS AT THE END OF THE 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 were 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) Negative impact on equity of Euros 9,507 thousand net of tax, broken down as follows:
 - Impact on "Accumulated other comprehensive income" of Euros 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.
 - Negative impact on "Other reserves" of Euros 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/loss attributable to owners of the Parent" of Euros 1,440 thousand, both due to the impact of the IFRS 9 valuation on those portfolios classified as "Financial assets designated at fair value through profit or loss" and the impact of the IFRS 17 valuation affecting profit or loss.

Appendix. V.9 Income statement - 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" include the impact of the result of the insurance service.
- c) It includes the impact of the reclassification of "Administrative expenses" and "Amortisation" to Profit/loss 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 income statement.

Appendix. V.10 Statement of other income - Reclassification and measurement due to application of IFRS 9 and 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 corporate income tax.

Financial statements Creand Group

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 2025



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