

# **DOURO FINANCE B.V.**

**Annual Report**

**For the year ended**

**31 December 2020**

DOURO FINANCE B.V.  
Jupiter Building  
Herikerbergweg 88  
1101 CM Amsterdam  
The Netherlands  
Chamber of Commerce number: 55482643

# DOURO FINANCE B.V.

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# DOURO FINANCE B.V.

## Directors and other information

<b>Directors</b>	Vistra Capital Markets (Netherlands) N.V.
<b>Registered Office</b>	Jupiter Building Herikerbergweg 88 1101 CM Amsterdam The Netherlands
<b>Trustee</b>	Deutsche Trustee Company Limited Winchester House 1 Great Winchester Street London EC2N 2DB
<b>Administrator &amp; Company Secretary</b>	Vistra Capital Markets (Netherlands) N.V. Jupiter Building Herikerbergweg 88 1101 CM Amsterdam The Netherlands
<b>Independent Auditor</b>	KPMG Accountants N.V. Laan van Langerhuize 1 1186 DS Amstelveen The Netherlands
<b>Arranger, Issue Agent, Principal Paying Agent, Custodian &amp; Registrar, Swap Counterparty</b>	Banco Bilbao Vizcaya Argentaria, S.A. Sauceda 28, Edificio Asia - Nivel I 28050 Madrid Spain
<b>Listing Agents</b>	Banco Bilbao Vizcaya Argentaria, S.A. Sauceda 28, Edificio Asia - Nivel I 28050 Madrid Spain
<b>Tax Advisor</b>	Simmons & Simmons Zuidplein 100 1077 XV Amsterdam The Netherlands

## Directors' report

The Board of Directors of Douro Finance B.V. (the "Company") herewith presents the Directors' report and the audited financial statements for the year ended 31 December 2020.

The accounting year of the Company begins on 1 January and terminates on 31 December of each year.

### Incorporation

The Company was incorporated under the laws of the Netherlands on 11 June 2012, with limited liability and having its statutory seat in Amsterdam, the Netherlands.

Stichting Douro Finance is the sole shareholder of the Company.

### Principal activities, business review and future developments

The objective of the Company is to raise finance through, inter alia, the issuance of Bonds, Notes and other debt instruments, the entering into loan agreements, derivatives and other instruments evidencing indebtedness.

The principal activity of the Company is the issue of Notes (the "Notes") in series pursuant to a EUR 5,000,000,000 Limited Recourse Secured Debt Issuance Programme (the "Programme") for the issue of Notes and the making of Alternative Investments (the "Alternative Investments") arranged by Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA").

The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, priority of payments, and principal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in issue terms (each "Issue Terms").

The Notes of each Series will be secured in the manner set out in the terms and conditions of the Notes, including a charge on and/or assignment of and/or other security interest over or in respect of the charged assets as defined in the Issue Terms and the Master Trust Deed (as defined in the Terms and Conditions of the Notes) and all sums held from time to time by the Custodian and/or the Issuing and Principal Paying Agent in so far as such sums relate to that Series. Each Series may also be secured on such additional security as may be described in the relevant Issue Terms.

The Company is exposed to the Spanish market. Developments in the Spanish markets affect the fair value of the investment securities going forward. Due to the structure of the Company, these are fully borne by the holders of the debt securities and hence it will not have an impact on the Company as such.

Due to the nature of the activities of the Company, the Company does not have any intention to change the number of staff (now: zero).

The Company does not have any activities in the field of research and development, nor has it any intention to do so.

At 31 December 2020, the Company had in issue 210 series, nominal amounting to EUR 2,204,983,802 and fair value amount of EUR 2,238,651,266.

The Company does not anticipate any significant changes in the activities for the next financial year.

### Business review

During the year:

- The Company issued 28 new series and fully redeemed 56 series.
- The Company issued new debt securities for an amount of EUR 381,761,614 (2019: EUR 494,583,084) and redeemed debt securities for an amount of EUR 429,714,333 (2019: EUR 263,645,984).
- The Company acquired new investment securities for an amount of EUR 302,991,585 (2019: EUR 343,519,408) and disposed of existing investment securities for an amount of EUR 292,750,000 (2019: EUR 150,549,780).
- The realised gain on investment securities disposed amounted to EUR 112,647,046 (2019: realised gain EUR 1,372,614).
- The Company made a profit after tax of EUR 105,840 (2019: EUR 104,871).
- Net changes in fair value of investment securities designated at fair value through profit or loss amounted to a gain of EUR 36,747,916 (2019: gain of EUR 210,740,180).
- Net changes in fair value of deposits designated at fair value through profit or loss amounted to a gain of EUR 341,018 (2019: gain EUR 695,485).
- Net changes in fair value of debt securities designated at fair value through profit or loss amounted to a loss of EUR 76,217,481 (2019: loss of EUR 190,521,573).
- The Company paid EUR 119,500 as dividend (2019: EUR 111,695).

As at 31 December 2020:

- The Company's total indebtedness was EUR 2,677,898,609 (2019: EUR 2,721,295,688).
- The cash position at balance sheet date was EUR 326,398 (2019: EUR 296,628).

## Directors' report (continued)

### Principal risks and uncertainties

The risk appetite of the Company is limited. Risks are monitored on a continuous basis. The Company aims to limit its exposure to material risks, or uncertainties, through (economic) hedging. There has been no change in the risk and business environment of the Company.

The Company's risk policy is designed to achieve a moderate risk profile, keeping a medium / low risk profile and supported by long-term relationships with customers.

The principal risks and uncertainties facing the Company relate to the debt securities issued, investment securities and derivative instruments held by the Company for risk management purposes.

The Company has exposure to the following risks from its use of financial instruments and does not have any externally imposed capital requirements.

#### (i) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each investment security. However, management also considers the demographics of the security base, including the default risk of the industry and country in which the investment security is located, as these factors may have an influence on the credit risk of the Company.

Approximately 39.84% (2019: 41.00%) of the Company's income is generated from investment securities based in Spain and 68.61% (2019: 7.90%) of net income is attributable to the banking industry. A more detailed breakdown is provided in Note 22.

The risk of default on these assets is borne by the holders of the debt securities of the relevant series.

#### (ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations arising from its financial liabilities as they fall due.

The Company's obligation to the Noteholders of a particular series is limited to the net proceeds upon realisation of the investment securities of that series. Should the net proceeds be insufficient to make all payments due in respect of a particular series of Notes, the other assets of the Company will not be available for payment and the deficit is instead borne by the Noteholders and the Swap Counterparty according to established priorities as per legal documentations.

The expediency and proceed amounts from realising the collateral of each series is subject to market conditions.

#### (iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments and receivable under total return swap.

Foreign exchange risk and interest rate risk are being hedged under the currency swap agreement and the asset swap agreement, respectively. These risks are economically hedged, since no hedge accounting is applied.

##### (a) Currency risk

Investment in Notes or Alternative Investments denominated and payable in a foreign currency entails significant risks to a Noteholder or party to Alternative Investments that would not be involved if a similar investment were made in Notes or Alternative Investments denominated and payable in such Noteholder's or party to Alternative Investments' home currency. These risks include, without limitation, the possibility of significant changes in rates of exchange between the foreign currency and such Noteholder's or party to Alternative Investments' home currency and generally depend on economic and political events over which the issuer has no control.

##### (b) Interest rate risk

The Company, through the use of the swap and terms of the Notes, has transferred all interest rate risk to the Swap Counterparty and the Noteholders.

#### (iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. All management and administration functions are outsourced to Vistra Capital Markets (Netherlands) N.V. which has setup in place adequate internal control procedures to mitigate any inherent risks.

Further quantitative disclosures are included in Note 22 of these financial statements.

#### (v) Financial reporting and disclosure risk

Governance surrounding financial reporting and disclosure risk promotes the importance of accurate, timely and complete financial reporting, the finance and control department is responsible for financial reporting, both internally including management information) and externally (including statutory and regulatory reporting). Policies, procedures and controls are in place to prevent and detect errors in the financial information and to reduce subjectively in terms of measurement and reporting.

## Directors' report (continued)

The Company was incorporated with the purpose of engaging in those activities outlined in the preceding paragraphs. All administration functions have been outsourced by the Company.

COVID-19 has not affected our capacity to continue with our activity, and we do not foresee this to happen in the short term. At this stage we cannot foresee if there will be any changes in demand for the Company's structured securities. The situation and uncertainties caused by COVID-19 require us to review the situation continuously.

## Results and dividends for the year

The Company recorded a profit of EUR 105,840 for the year under review. The result for the year is set out on page 8. Profits of the Company are at the disposal of the Annual General Meeting. The Company may distribute a dividend only if, and to the extent that, its shareholders' equity is greater than the aggregate of the paid and called-up part of the issued capital.

## Going concern

The Company's financial statements for the year ended 31 December 2020 have been prepared on a going concern basis. The assets and derivative transactions are referenced to the Notes in issue and any loss derived will ultimately be borne by the noteholders. The Directors anticipate that the financial assets will continue to generate enough cash flow on an ongoing basis to meet the Company's liabilities as they fall due. The Notes in issue at 31 December 2020 will continue in existence for at least more than one year. Based on these, the Directors believe that the going concern basis is appropriate.

## Business environment

The derivative instruments held by the Company for risk management purposes have BBVA as counterparty.

BBVA operates in more than 30 countries with an asset based of around EUR 736 Billion. total active customers is also showing a positive trend with an increase of 2.8 million customers in 2020 (+9.2 million since 2016), with positive developments in all of the countries in which BBVA is present. BBVA's has maintained its rating during 2020 in the single A space for senior preferred debt granted by all agencies. DBRS confirmed BBVA's rating at A (high) with a stable outlook on 1 April and on 29 April, S&P confirmed BBVA's rating (A-) and its outlook (negative) in a joint action with the rest of the Spanish banks, in which the agency also assigned a negative outlook to the majority of the Spanish banks. In the month of July, as a consequence of the economic uncertainty caused by COVID-19 in the countries where BBVA is present, the rating agency Fitch downgraded its rating by one notch to A- with a stable outlook. For its part, Moody's has maintained BBVA's rating at A3 with a stable outlook.

BBVA's net attributable profit in 2020, excluding one-offs, stood at EUR 3,08 billion, 36.1% less than in the previous year, at constant euros, as a result of front-loading of provisions and impairments during the first half of the year. In terms of shareholder value creation, the tangible book value per share plus dividends closed the year at €6.21, a level similar to that of 2019, which placed BBVA ahead of the financial industry in terms of profitability. The Group's fully loaded CET1 capital ratio ended the year at 11.73 percent. These results demonstrate BBVA's ability to generate earnings and strengthening its capacity to grow, despite being in a complex environment. Please refer to Note 23 for additional links to information on the business environment of BBVA.

## Directors, Secretary and their interests

The Directors and Secretary who held office on 31 December 2020 did not hold any shares in the Company at that date, or during the year. There were no contracts of any significance in relation to the business of the Company in which the Directors had any interest at any time during the year.

## Personnel

During the year under review, the Company had no employees other than its Managing Directors. The Company has no Board of Supervisory Directors.

The Directors (Vistra Capital Markets (Netherlands) N.V.) are appointed by the shareholder. The composition of the representative within Vistra Capital Markets (Netherlands) N.V. that are responsible for this entity complies with article 2:166 of the Dutch Civil Code (minimum 30% male and 30% female).

## Audit committee

In accordance to the Company's Articles of Association and pursuant to the Audit Committee Member Agreement dated 27 March 2019, the Company has set up an audit committee and appointed Mr J.H Scholts and Mr J.R Rosman as member of that committee.

## Accounting records

The Directors believe that they have complied with the legal requirements for the financial statements as included in Part 9 of Book 2 of the Dutch Civil Code by engaging accounting personnel with the appropriate expertise and by providing adequate resources to the finance function. The books of account of the Company are maintained at Jupiter Building, Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands.

## Future outlook

The Managing Director expects the present level of activity to be sustained for the foreseeable future.

## Appropriation of net income for the year

Awaiting the decision of shareholders, the net income for the year ended 2020 is separately included in the shareholders equity as unappropriated net income.

**Directors' report (continued)**

**Subsequent events**

Except for the below, there were no significant post balance events that would affect the presentation and disclosure in the current year.

At the date of our report, the Company had issued the following new Series of Notes:

Series 2021-637 EUR 15,000,000 Secured Limited Recourse Index Linked Securities due 2028  
Series 2021-638 EUR 2,300,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-639 EUR 1,950,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-640 EUR 6,150,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-641 EUR 8,150,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-642 EUR 75,000,000 Secured Limited Recourse Fixed Rate and Index-Linked Securities due 2026  
Series 2021-643 EUR 6,250,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-644 USD 1,550,000 Secured Limited Recourse Index Linked Securities due 2024  
Series 2021-645 EUR 2,600,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-646 EUR 5,000,000 Secured Limited Recourse Fixed Rate and Index-Linked Securities due 2029  
Series 2021-647 EUR 12,700,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-648 EUR 6,500,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-649 EUR 8,100,000 Secured Limited Recourse Variable Interest Amount Securities due 2037  
Series 2021-650 EUR 2,650,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-651 EUR 4,300,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-652 EUR 3,300,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-653 USD 55,460,000 Secured Limited Recourse Floating Rate Securities due 2022

At the date of our report, the below Series of Notes were fully redeemed / matured:

Series 2014-158 EUR 2,000,000 Secured Limited Recourse Credit Linked Securities due 2021  
Series 2016-304 EUR 2,600,000 Secured Limited Recourse Equity-Linked Securities Due 2021  
Series 2016-337 EUR 2,000,000 Secured Limited Recourse Index Linked Securities due 2021  
Series 2016-339 USD 1,050,000 Secured Limited Recourse Index linked Securities due 2021  
Series 2017-474 EUR 1,200,000 Secured Limited Recourse Index linked Securities due 2022  
Series 2018-501 USD 20,000,000 Secured Limited Recourse Credit-Linked Securities due 2027  
Series 2018-504 USD 20,000,000 Secured Limited Recourse Credit- Linked Securities due 2027  
Series 2018-507 USD 20,000,000 Callable Secured Limited Recourse Credit-Linked Securities due 2028  
Series 2020-605 EUR 10,450,000 Secured Limited Recourse Equity Linked Securities due 2025  
Series 2020-606 EUR 1,750,000 Secured Limited Recourse Index Linked Securities due 2025  
Series 2020-627 EUR 11,000,000 Secured Limited Recourse Index Linked Securities due 2025  
Series 2021-638 EUR 2,300,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-640 EUR 6,150,000 Secured Limited Recourse Index Linked Securities due 2026

**On behalf of the Board of Directors**

**Vistra Capital Markets (Netherlands) N.V.**

**Date: 5 November 2021**

**Statement of Directors' responsibilities in respect of Directors' report and the financial statements**

The Directors are responsible for preparing the Directors' report and financial statements in accordance with applicable laws and regulations.

The Directors consider that, in preparing the financial statements, the Company has used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards as adopted by the European Union and requirements of Part 9 of Book 2 of the Dutch Civil Code which they consider to be applicable have been followed.

The Company's financial statements are required by law to give a true and fair view of the financial position of the Company and of its financial performance for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with International Financial Reporting Standards ("IFRS") as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are also responsible for preparing a Directors' report that complies with the requirements of Part 9 of Book 2 of the Dutch Civil Code in the Netherlands.

**On behalf of the Board of Directors**

**Vistra Capital Markets (Netherlands) N.V.**

**Date: 5 November 2021**



# DOURO FINANCE B.V.

## Statement of financial position

As at 31 December 2020

(Before appropriation of profit)

	Note (s)	31-Dec-2020 EUR	31-Dec-2019 EUR
<b>Non-current assets</b>			
Investment securities	5	2,197,277,142	2,158,124,383
Derivatives held for risk management purposes	7	424,713,163	441,887,269
<b>Total non-current assets</b>		<u>2,621,990,305</u>	<u>2,600,011,652</u>
<b>Current assets</b>			
Investment securities	5	34,828,593	20,146,081
Deposits	6	-	20,127,169
Derivatives held for risk management purposes	7	12,601,541	77,420,491
Cash and cash equivalents	8	326,399	296,629
Other assets	9	18,376,856	18,642,554
<b>Total current assets</b>		<u>66,133,389</u>	<u>136,632,924</u>
<b>Total assets</b>		<u>2,688,123,694</u>	<u>2,736,644,576</u>
<b>Equity</b>			
Share capital	10	18,000	18,000
Retained earnings		65	14,694
Profit for the year (unappropriated net income)		105,840	104,871
<b>Total equity</b>		<u>123,905</u>	<u>137,565</u>
<b>Non-current liabilities</b>			
Derivatives held for risk management purposes	7	438,576,121	483,096,580
Debt securities issued	11	2,169,890,585	2,088,027,103
<b>Total non-current liabilities</b>		<u>2,608,466,706</u>	<u>2,571,123,683</u>
<b>Current liabilities</b>			
Debt securities issued	11	68,760,681	150,172,005
Derivatives held for risk management purposes	7	671,222	-
Bank overdraft		1	1
Other liabilities	12	10,081,291	15,186,721
Taxation	13	19,888	24,601
<b>Total current liabilities</b>		<u>79,533,083</u>	<u>165,383,328</u>
<b>Total liabilities</b>		<u>2,687,999,789</u>	<u>2,736,507,011</u>
<b>Total liabilities and equity</b>		<u>2,688,123,694</u>	<u>2,736,644,576</u>

Approved and authorised for issue

On behalf of the Board of Directors

Vistra Capital Markets (Netherlands) N.V.

Date: 5 November 2021

The notes on pages 11 to 33 form an integral part of these financial statements

# DOURO FINANCE B.V.

## Statement of comprehensive income For the year ended 31 December 2020

	Note (s)	Year ended 31-Dec-2020 EUR	Year ended 31-Dec-2019 EUR
Interest income		57,260,884	54,345,887
Interest expense		(45,849,886)	(65,982,105)
<i>Designated as at fair value through profit or loss</i>			
Net gain from investment securities	14	114,965,296	214,203,855
Net (loss) / gain from deposits	15	(1,187,729)	1,316,558
Net (loss) on debt securities issued	16	(27,738,856)	(190,324,284)
Net income from derivative financial instruments held for risk management purposes		135,296,985	77,705,765
Net loss from derivative financial instruments held for risk management purposes		(96,168,439)	(98,619,856)
Realised gain on settlement of derivatives		37,605,876	77,373,399
Realised loss on settlement of derivatives		(174,184,131)	(70,019,218)
<b>Operating income</b>		-	1
Other income	17	360,196	311,731
Other expenses	18	(234,382)	(160,988)
Profit on ordinary activities before taxation		125,814	150,744
Taxation - previous year		(88)	(21,274)
Taxation - current year	13	(19,886)	(24,599)
<b>Profit for the year</b>		105,840	104,871
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		105,840	104,871

All items dealt with in arriving at the profit for the year ended 31 December 2020 related to continuing operations.

Approved and authorised for issue

On behalf of the Board of Directors

Vistra Capital Markets (Netherlands) N.V.

Date: 5 November 2021

The notes on pages 11 to 33 form an integral part of these financial statements

**Statement of cash flows**  
**For the year ended 31 December 2020**

	Note (s)	Year ended 31-Dec-2020 EUR	Year ended 31-Dec-2019 EUR
<b>Cash flows from operating activities</b>			
Profit on ordinary activities before taxation		125,814	150,744
Adjustments for:			
Realised gain on settlement of derivatives		(37,605,876)	(77,373,399)
Realised loss on settlement of derivatives		174,184,131	70,019,218
Realised gain on investment securities	14	(112,647,046)	(1,372,614)
Fair value loss on investment securities	14	(36,747,916)	(210,740,180)
Unrealised exchange loss / (gain) on revaluation of investment securities	14	34,429,666	(2,091,061)
Realised loss on deposits	15	-	(168,958)
Fair value gain on deposits	15	(341,018)	(695,485)
Unrealised exchange loss / (gain) on revaluation of deposits	15	1,528,747	(452,115)
Realised loss on debt securities issued	16	(20,666,021)	(4,550,153)
Fair value gain on debt securities	16	76,217,481	190,521,573
Unrealised exchange (loss) / gain on revaluation of debt securities issued	16	(27,812,604)	4,352,864
Unrealised gain on revaluation of derivatives		(135,296,985)	(77,705,765)
Unrealised loss on revaluation of derivatives		96,168,439	98,619,856
Interest income		(57,260,884)	(54,345,887)
Interest expense		45,849,886	65,982,105
Changes in:			
Net movement in other assets and liabilities		23,456	(20,450)
<b>Net cash flows generated from / (used in) operating activities</b>		<u>149,270</u>	<u>130,293</u>
<b>Cash flows from investing activities</b>			
Acquisition of investment securities		(345,181,699)	(398,195,386)
Acquisition of deposits		-	(20,058,043)
Proceeds from maturity / disposal of investment securities		405,397,046	151,523,594
Proceeds from maturity / disposal of deposits		18,939,440	19,428,200
Interest received on investment securities		58,481,256	53,708,919
Receipts in respect of derivatives held for risk management purposes		805,260,994	742,368,260
Payments in respect of derivatives held for risk management purposes		(863,877,358)	(715,663,860)
<b>Net cash flows generated from investing activities</b>		<u>79,019,679</u>	<u>(166,888,316)</u>
<b>Cash flows from financing activities</b>			
Dividend paid		(119,500)	(111,695)
Proceeds from issuance of debt securities		381,059,616	491,003,147
Payments on maturity / redemption of debt securities		(409,048,311)	(259,095,831)
Interest paid on debt securities issued		(51,030,984)	(65,019,001)
<b>Net cash flows (used in) / generated from financing activities</b>		<u>(79,139,179)</u>	<u>166,776,620</u>
<b>Net increase in cash and cash equivalents</b>		29,770	18,597
Cash and cash equivalents at beginning of year		296,628	278,031
<b>Cash and cash equivalents at end of year</b>		<u><u>326,398</u></u>	<u><u>296,628</u></u>

The notes on pages 11 to 33 form an integral part of these financial statements

**Statement of changes in equity**  
**For the year ended 31 December 2020**

	Share capital EUR	Retained earnings EUR	Profit for the year EUR	Total EUR
<b>Balance at 31 December 2018</b>	18,000	14,694	111,695	144,389
Appropriation of profit		111,695	(111,695)	-
Profit for the year	-	-	104,871	104,871
Dividend paid during the year	-	(111,695)	-	(111,695)
<b>Balance at 31 December 2019</b>	18,000	14,694	104,871	137,565
Appropriation of profit		104,871	(104,871)	-
Profit for the year	-	-	105,840	105,840
Dividend paid during the year	-	(119,500)	-	(119,500)
<b>Balance at 31 December 2020</b>	18,000	65	105,840	123,905

The notes on pages 11 to 33 form an integral part of these financial statements

## Notes to the financial statements

For the year ended 31 December 2020

### 1 General information

Douro Finance B.V. (the "Company"), a corporation with limited liability, having its statutory seat in Amsterdam, the Netherlands, was incorporated under the law of the Netherlands on 11 June 2012.

The accounting year of the Company begins on 1 January and terminates on 31 December of each year.

The objective of the Company is to raise finance, through the issuance of bonds, notes and other debt instruments, entering into loan agreements, derivatives and other instruments evidencing indebtedness and receiving deposits, to invest the funds raised in bonds, notes, loan and other debt instruments, shares, warrants, derivatives and other similar financial assets.

The Company is a special purpose entity ("SPE") that has been established to issue debt securities under a €5,000,000,000 Limited Recourse Secure Debt Issuance programme (the "Programme") arranged by Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA").

The Company has no direct employees. The financial statements were authorised for issue by the Board of Directors on 3 November 2021.

The registered office of the Company is Jupiter Building, Herikerbergweg 88, 1101 CM Amsterdam, the Netherlands and its trade register number is 55482643.

Stichting Douro Finance is the sole shareholder of the Company.

### 2 Basis of preparation

#### (a) Statement of compliance

The financial statements for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code. The accounting policies have been applied throughout the year.

#### Going concern

These financial statements have been prepared on a going concern basis because the directors consider, in the circumstances of the arrangement established when the Company was formed and based on the nature of the Company's activities, that this is a fair basis for presenting the results of the accounting year and the state of affairs at end of the year.

#### Application of New and Revised International Financial Reporting Standards (IFRS)

In the current year, the Company has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2017.

#### 2.1 Mandatory Standards, amendments and interpretations with no material effect on the financial statements

The following relevant new and revised Standards and Interpretations have been applied in these financial statements. Their application has not had any material effect on the amounts reported in these financial statements, other than additional disclosures in the financial statements, but may affect the accounting for future transactions or arrangements.

IAS 1 and IAS 8	Definition of Material
IFRS 3	Definition of a business
IFRS 9, IAS 39 and IFRS 7	Modifications – IBOR Reform, Phase 1
IFRS 16	Leases – COVID-19 modifications

**Notes to the financial statements (continued)**

For the year ended 31 December 2020

**2 Basis of preparation (continued)****(a) Statement of compliance (continued)****2.2 New and revised IFRS in issue but not yet effective**

At the date of authorisation of these financial statements, the following relevant Standard and Interpretations were in issue but effective on the respective dates as indicated:

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Modifications - IBOR reform, Phase 2 (effective 1 January 2021)
IFRS 4	Amendment to Insurance Contracts (effective 1 January 2021)
IFRS 17	Amendments to Insurance Contracts (effective 1 January 2023)

The Directors anticipate that all of the above amendments will be applied in the Company's financial statements at the above effective dates. The future impacts of the adoption of these standards have not been analysed to date.

**IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Modifications - IBOR reform**

The Company does not have any hedge accounting relationships, however, cash flows are exposed to different IBORS, predominantly EURIBOR, LIBOR in US dollars and to a much lesser degree Sterling LIBOR and other benchmark interest rates. The Company considers that the amendments to IAS 39 and IFRS 7 are applicable when there is uncertainty about future cash flows.

The initiation and administration of the derivatives are carried out by BBVA in its capacity as the Arranger, Issue Agent, Principal Paying Agent, Custodian & Registrar and Swap Counterparty of the Company. The IBOR transition is considered to be a complex initiative, which affects the Company in different geographical areas and business lines, as well as in a multitude of products, systems and processes. Therefore, BBVA has established an IBOR transition program, provided with a robust governance structure by means of an Executive Steering Committee, with representation from senior management of the affected areas, which reports directly to the Company's Global Leadership Team. At the local level, each geography has defined a local governance structure with the participation of senior management. The coordination between geographies is realised through the Project Management Office (PMO) and the Global Working Groups that incorporate a multi-geographic and transversal view on the areas of Legal, Risk, Regulatory, Engineering, Finance and Accounting. The project also involves both Corporate Assurance of the different geographies and business lines and Global Corporate Assurance of BBVA.

BBVA has a significant number of financial assets and liabilities referenced to IBOR rates, especially EURIBOR, which are used, among others, in loans, deposits, debt issuances and financial derivatives. Furthermore, although the exposure to EONIA is lower in the banking book, this benchmark interest rate is used in financial derivatives in the trading book, as well as in the collateral agreements and most are booked in Spain. In the case of LIBOR, the USD is the most relevant currency for both cash products and financial derivatives in the banking book and the trading book. Other LIBOR currencies (CHF, GBP and JPY) have a much lower specific weight.

**(b) Basis of measurement**

The financial statements are prepared on a going concern and historical cost basis except for the following:

- Derivative financial instruments are measured at fair value;
- Investment securities designated at fair value through profit or loss are measured at fair value; and
- Debt securities issued are measured at fair value.

The methods used to measure fair values are discussed further in Note 3.

**Functional and presentation currency**

The financial statements are presented in Euro, which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the entity operates. The issued share capital of the Company is denominated in Euro and the debt securities issued are also primarily denominated in Euro. The Directors of the Company believe that Euro most faithfully represents the economic effects of the underlying transactions, events and conditions.

Except as otherwise indicated, all financial information are presented in Euro.

**Use of estimates and judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2020**

**2 Basis of preparation (continued)**

**(b) Basis of measurement (continued)**

***Estimation of fair values***

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Fair values of financial assets and financial liabilities that are traded in active markets, level 1, are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Level 2 instruments use widely recognised valuation models for determining the fair value of common and more simple financial instruments such as interest rate and currency swaps that use only observable market data. Observable prices and model inputs are available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives, e.g. interest rate swaps. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex level 3 instruments proprietary valuation models are used which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain over the counter derivatives and certain securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and selection of appropriate discount rates.

Any change in the pricing assumptions for those assets which use level 3 valuation techniques would not have an impact on the overall financial position of the Company due to the limited recourse nature of the notes in issue. The variability in pricing of such assets would directly impact the noteholders in each specific series but does not alter the underlying risk faced by each noteholder or the ultimate return on the transaction.

**3 Significant accounting policies**

***Financial instruments***

The financial instruments of the Company include the following:

- Investment securities;
- Derivative financial instruments held for risk management;
- Financial assets and liabilities; and
- Debt securities issued.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2020**

**3 Significant accounting policies (continued)**

***Financial instruments (continued)***

*Classification*

A financial asset or financial liability at fair value through profit or loss is a financial asset or liability that is classified as held-for-trading or designated as at fair value through profit or loss.

*Investment securities*

All investment securities held by the Company are designated as at fair value through profit or loss on initial recognition.

*Derivative financial instruments held for risk management purposes*

Derivative financial instruments held for risk management purposes include all derivative assets and liabilities that are used to economically hedge the derivatives of each series from any interest rate and market fluctuations affecting the relevant collateral assets. Such derivatives are not however, formally designated into a qualifying hedge relationship and, therefore, all changes in their fair value are recognised immediately in profit or loss. The fair values of the derivative financial instruments are presented in the statement of financial position inclusive of interest.

*Financial assets and liabilities that are not at fair value through profit or loss*

Financial assets that are not at fair value through profit or loss and are not quoted in an active market include cash at bank, deposits with credit institutions and other assets. Financial liabilities that are not at fair value through profit or loss include accrued expenses and other payables.

*Debt securities issued*

The debt securities issued are initially measured at fair value and are designated as liabilities at fair value through profit or loss.

*Embedded derivatives*

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

*Recognition*

The Company initially recognises all financial assets and liabilities on the settlement date at which the Company becomes a party to the contractual provisions of the instruments. From settlement date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities designated as at fair value through profit or loss are recorded in the profit and loss.

*Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

*Offsetting*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.



**Notes to the financial statements (continued)**  
**For the year ended 31 December 2020**

**3 Significant accounting policies (continued)**

***Financial instruments (continued)***

*Fair value measurement principles*

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets, where these are available. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Company uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like options and interest rate and currency swaps.

For more complex instruments, the Company uses proprietary models, which usually are developed from recognised valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions.

Valuation techniques using significant unobservable inputs: this category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement e.g. interest rates, volatility, credit spreads, probability of defaults, estimates cash flows etc and, therefore, cannot be determined with precision.

***Financial liability and equity***

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called-up share capital exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exist, these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are distributions from the net income attributable to equity holders and are recorded directly in equity.

**Notes to the financial statements (continued)**

**For the year ended 31 December 2020**

**3 Significant accounting policies (continued)**

***Cash and cash equivalent***

Cash and cash equivalents consist of cash at bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value.

Cash and cash equivalents and bank overdraft are carried at amortised cost in the statement of financial position.

***Foreign currency transaction***

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss and are included under net gain/(loss) from investment securities, derivatives held for risk management and debt securities issued depending on which of them it relates to.

Unrealised gains and losses on exchange are accounted as an adjusting item in the statement of cash flows under operating activities. Realised portions are allocated accordingly to their respective items / transactions in the statement of cash flows.

***Revenue recognition***

Interest income is recognised on investment securities on an accrual basis using an effective interest rate.

***Interest expense***

Interest expense is recognised on debt securities on an accrual basis using an effective interest rate.

***Net gain / (loss) from investment securities***

Net income / (loss) from investment securities designated at fair value through profit or loss relates to investments in corporate bonds and receivables under total return swaps, and includes realised and unrealised fair value changes, and foreign exchange differences.

***Net gain / (loss) from derivative financial instruments held for risk management purposes***

Net income / (loss) from derivative financial instruments held for risk management purposes designated at fair value through profit or loss relates to the fair value movements on swaps held by the Company and includes realised and unrealised fair value changes, settlements and foreign exchange differences.

***Net gain / (loss) on debt securities issued at fair value through profit or loss***

Finance expense on debt securities issued designated at fair value through profit or loss relates to debt securities issued and includes realised and unrealised fair value changes, and foreign exchange differences.

***Taxation***

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss except to the extent that it relates to items recognised directly in Equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable to the Company's activities enacted or substantively enacted at the end of the reporting date, and adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 3 Significant accounting policies (continued)

#### *Related party*

Stichting Douro Finance is the sole shareholder of the Company and thus, the parent company is considered to be a related party. In addition, Vistra Capital Markets (Netherlands) N.V. is Managing Director of the Company.

#### *Impairment*

At the end of each reporting year/period, the Company tests whether there is any indication of receivables being subject to impairment. If any such indications are present, the recoverable amount of the receivable is determined. A receivable is subject to impairment if its carrying amount exceeds its recoverable amount. An impairment loss is directly recognised as an expense in the statement of comprehensive income. As at 31 December 2020, no impairment loss was recognised.

#### *Provisions*

A provision is recognised when and only when there is a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### *Other income and expenses*

All other income and expenses are accounted for on an accrual basis.

#### *Share capital*

Share capital is issued in Euro. Dividends are recognised and deducted from equity when declared.

#### *Carrying value*

The carrying value is the same as the fair value of the assets and liabilities. The gross contractual amount of the assets and liabilities approximates their outstanding notional amount or amortised cost.

#### *Statement of cash flows*

The cash flow statement, based on the indirect method of calculation, gives details of the source of cash and cash equivalents and bank overdraft which became available during the year and the application of these cash and cash equivalents over the course of the year.

### 4 Financial risk management

#### *Introduction and overview*

The Douro Finance B.V. Programme was set up on the 19 June 2012 to issue multiple series of notes, with the rating on each series independent of the other (if applicable). The Company can issue various series of notes with credit rating ranging from AAA to not rated.

The Company was set up as a segregated multi issuance SPE. Each Series is governed by a separate Issue Terms. Each Series consists of an investment in Charged Assets and / or derivative instrument or other contracts from the proceeds of the issuance of debt securities and / or Alternative Investments.

The Programme offers investors the opportunity to invest in a portfolio of investments (the "investment securities") and alter the risk profile of the portfolio through the use of derivative instruments.

This ensures that if one series defaults, the holders of that series do not have the ability to reach other assets of the issuer, resulting in the issuer's bankruptcy and the default of the other series of notes. The segregation criteria include the following:

- The Company is a bankruptcy remote SPE, organised in the Netherlands;
- The Company issues separate series of debt obligations;
- Assets relating to any particular series of debt securities are held separate and apart from the assets relating to any other series;
- Any swap transaction entered into by the issuer for a series is separate from any other swap transaction for any other series;
- For each series of debt securities, only the trustees are entitled to exercise remedies on behalf of the debt security holders.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2020**

**4 Financial risk management (continued)**

The Company has, in most Series, entered into asset swap agreements with Banco Bilbao Vizcaya Argentaria, S.A. (refer to note 7). The net proceeds from the issue of the Notes are paid to the Swap Counterparty to purchase the portfolio of collateral plus any interest accrued thereon. During the term of the asset swap, the Company pays to the Swap Counterparty amounts equal to the interest received in respect of the collateral, and on the maturity date of the collateral, the Company will deliver the portfolio or the proceeds of its redemption to the Swap Counterparty.

The Swap Counterparty delivers the Charged Assets to the account of the Company and pays the Company amounts equal to the interest payable under the debt securities, and if the swap agreement terminates on the maturity date of the respective notes, a sum equal to the redemption amount payable on the debt securities.

The proceeds from the issue of Notes, which form part of the so-called synthetic structures, are used to invest directly in swaps (paid to the Swap Counterparty). Both the Notes and the derivatives are carried at fair value through profit or loss.

The ultimate amount repaid to the Noteholders of these debt securities will depend on the proceeds from the Charged Assets and any payment that the Swap Counterparty is obliged to make under the terms of the swap agreement. The Company is obliged to provide for the payment or physical delivery of the deliverable obligations to the Swap Counterparty and to the holders of debt securities. This obligation is determined by the Calculation Agent in accordance with the terms of the swap agreement.

In case of the synthetic structures, the Swap Counterparty will provide the Company the amount to repay the Noteholders, as per the terms of the swap agreement.

**Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The risk profile of the Company is such that market, credit, liquidity and other risks relating to the investment securities and derivatives held for risk management are borne fully by the holders of debt securities issued.

The Company has exposure to the following risks from its use of financial instruments:

- (i) Credit risk;
- (ii) Liquidity risk;
- (iii) Market risk; and
- (iv) Operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included in note 22 to these financial statements.

The Company does not have any externally imposed capital requirements.

**(i) Credit risk**

Credit risk is the risk of the financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's credit linked assets.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each investment security. However, management also considers the demographics of the security base, including the default risk of the industry and country in which the investment security is located, as these factors may have an influence on the credit risk of the Company, particularly in the currently deteriorating economic circumstances.

The risk of default on these assets is borne by the counterparty of the asset or total return swap if available, or the holders of the debt securities of the relevant series.

The risks factors, backing each Series issued, are already defined in the agreements. The Notes issued by the Company are limited recourse such that the Company has entered into agreements to hedge any risks arising on the Series. Any event affecting the investment securities and derivative instruments held will not impact the continuity of the Company.

In addition to the limited recourse character of the Notes, all the parties have signed non-petition provisions. The continuity of the Company does not depend on the quality of the collaterals backing the Series.

Management considered the (movement in) own credit risk as immaterial.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

## 4 Financial risk management (continued)

## (ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations arising from its financial liabilities as they fall due.

The Company's obligation to the Noteholders of a particular series is limited to the net proceeds upon realisation of the collateral of that series. Should the net proceeds be insufficient to make all payments due in respect of a particular series of Notes, the other assets of the Company will not be available for payment and the deficit is instead borne by the Noteholders and the Swap Counterparty according to established priorities.

The expediency and proceed amounts from realising the collateral of each series is subject to market conditions.

## (iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rate and interest rates will affect the Company's income or the value of its holdings of financial instruments and receivable under total return swap.

Foreign exchange risk and interest rate risk are economically hedged under the currency swap agreement and the asset swap agreement,

## (iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company was incorporated with the purpose of engaging in those activities outlined in the preceding paragraphs. All administration functions have been outsourced by the Company.

COVID-19 has not affected our capacity to continue with our activity, and we do not foresee this to happen in the short term. At this stage we cannot foresee if there will be any changes in demand for the Company's structured securities. The situation and uncertainties caused by COVID-19 require us to review the situation continuously.

## 5 Investment securities

**31-Dec-2020**  
**EUR**

**31-Dec-2019**  
**EUR**

*Nominal amount:*

Opening balance as at 1 January	1,805,410,508	1,610,349,819
Additions during the year	302,991,585	343,519,408
Disposals during the year	(292,750,000)	(150,549,780)
Foreign currency movement	(34,429,666)	2,091,061

Closing balance as at 31 December	<u>1,781,222,427</u>	<u>1,805,410,508</u>
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**31-Dec-2020**  
**EUR**

**31-Dec-2019**  
**EUR**

*Movement in fair value:*

Opening balance as at 1 January	372,859,956	116,788,260
Additions during the year	41,275,436	45,331,516
Disposals during the year	(112,647,046)	(1,372,614)
Net movement during the year	149,394,962	212,112,794

Closing balance as at 31 December	<u>450,883,308</u>	<u>372,859,956</u>
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**Closing fair value as at 31 December**

<u>2,232,105,735</u>	<u>2,178,270,464</u>
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The carrying value of the assets of the Company represents their maximum exposure to credit risk. The credit risk is eventually transferred to the Swap Counterparty or Noteholders through the credit default swap (refer to note 7). The investment securities are held as collateral for the debt securities by the Company.

There have been no defaults of interest and principal repayments during the current year under review.

The assets of the Company are not pledged.

Investment securities are designated at fair value through profit or loss, upon initial recognition when the Company holds related derivatives at fair value through profit or loss.

	<b>Gross contractual value 31-Dec-2020 EUR</b>	<b>Carrying value 31-Dec-2020 EUR</b>	<b>Gross contractual value 31-Dec-2019 EUR</b>	<b>Carrying value 31-Dec-2019 EUR</b>
<i>Maturity analysis of investment securities is as follows:</i>				
Less than one year	34,101,010	34,828,593	19,950,000	20,146,081
Between one and five years	397,569,684	439,883,471	438,126,772	483,789,521
More than five years	1,349,551,733	1,757,393,671	1,347,333,736	1,674,334,862
	<u>1,781,222,427</u>	<u>2,232,105,735</u>	<u>1,805,410,508</u>	<u>2,178,270,464</u>

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2020**

<b>6 Deposits</b>	<b>31-Dec-2020 EUR</b>	<b>31-Dec-2019 EUR</b>
<i>Nominal amount:</i>		
Opening balance as at 1 January	20,468,187	20,016,072
Additions during the year	-	20,058,043
Disposals during the year	(18,939,440)	(20,058,043)
Foreign currency movement	(1,528,747)	452,115
Closing balance as at 31 December	-	20,468,187
	<b>31-Dec-2020 EUR</b>	<b>31-Dec-2019 EUR</b>
<i>Movement in fair value:</i>		
Opening balance as at 1 January	(341,018)	(1,036,503)
Disposals during the year	-	(168,958)
Movement during the year	341,018	864,443
Closing balance as at 31 December	-	(341,018)
<b>Closing fair value as at 31 December</b>	<b>-</b>	<b>20,127,169</b>

The Company has entered into deposit agreements in respect of Series 300 and 437 with the entire or part of proceeds of each Note issued being placed on deposit as collateral. As at 31 December 2021, there are no deposits.

All the deposits held with Banco Bilbao Vizcaya Argentaria, S.A are non-interest bearing and receivable on their corresponding payment dates.

	<b>Gross contractual value 31-Dec-2020 EUR</b>	<b>Carrying value 31-Dec-2020 EUR</b>	<b>Gross contractual value 31-Dec-2019 EUR</b>	<b>Carrying value 31-Dec-2019 EUR</b>
<i>Maturity analysis of Deposits is as follows:</i>				
Less than one year	-	-	20,468,187	20,127,169
Between one and five years	-	-	-	-
More than five years	-	-	-	-
	<b>-</b>	<b>-</b>	<b>20,468,187</b>	<b>20,127,169</b>

**7 Derivative held for risk management purposes**

	<b>Notional Amount 31-Dec-2020 EUR</b>	<b>Carrying Value 31-Dec-2020 EUR</b>	<b>Average Interest Rate 31-Dec-2020</b>	<b>Notional Amount 31-Dec-2019 EUR</b>	<b>Carrying Value 31-Dec-2019 EUR</b>	<b>Average Interest Rate 31-Dec-2019</b>
Derivative assets held for risk management purposes	2,214,821,730	437,314,704	2.59%	2,295,768,150	519,307,760	2.37%
Derivative liabilities held for risk management purposes	1,799,538,527	(439,247,343)	2.55%	1,824,019,831	(483,096,580)	3.62%
		<b>(1,932,639)</b>			<b>36,211,180</b>	

The swaps entered by the Company are detailed below.

**Assets swap**

Pursuant to an ISDA master agreement for each new series of Notes issued, the Company has entered into a swap agreement with the Swap Counterparty.

Under the swap agreements the Company pays the Swap Counterparty amounts equal to the net subscription moneys for the Notes and sums equal to the interest and principal amounts receivable by the company in respect of the investment securities. In return the Swap Counterparty pays the Company amounts equal to the net sum payable by the Company for the purchase of the investment securities or cash deposits (with the exception of those series where specific swaps are entered into, as stated below) and sums equal to the interest and principal payable to the Noteholders under the Notes.

**Notes to the financial statements (continued)**

For the year ended 31 December 2020

**7 Derivative held for risk management purposes (continued)**

The effect on the financial statements is that for all investment security and cash deposit income and Note interest expense there is an equal and opposite amount paid and received from the Swap Counterparty. In the statement of financial position there is an amount payable to the Swap Counterparty equal to the fair value of the investment, and there is an amount receivable equal to the fair value of the amount payable to Noteholders. The overall swap position is presented in the statement of financial position as a receivable or payable, since the Swap Counterparty is party to both sides of the swap transactions.

The overall maturity of the swaps is based on the maturity dates of their corresponding Series and debt securities issued; such that upon maturity of the Note, the corresponding shall be terminated.

**Credit default, total return, index option, share option, equity basket and foreign exchange option swaps**

The Company has also entered into credit default swaps in respect of a number of credit linked Notes Series. Under the terms of these swap agreements the Company is liable to the Swap Counterparty should a credit event with respect to the reference obligations in the swap agreements take place. In such event, it is the Noteholders who will bear the economic risk and will absorb the loss by partial or full impairment of that Note.

Under the terms of the swap agreements, the Company paid out to the Swap Counterparty the proceeds from the Notes issued. The Noteholder has taken on the economic return to the performance of reference obligations and indices.

In respect of all swaps mentioned above, under the terms of the swap agreements, the swaps terminate on the maturity date of the Notes and also under any of the following circumstances:

- If at any time the Notes become payable in accordance with specific conditions prior to the maturity date;
- At the option of one party, if there is a failure by the other party to pay any amounts due, or to comply with or perform any obligation under the relevant swap agreement;
- If withholding taxes are imposed on payments made by the Company to the Swap Counterparty under the relevant swap agreement or if it becomes illegal for either party to perform its obligations under the swap agreement.

<b>8 Cash and cash equivalents</b>	<b>31-Dec-2020 EUR</b>	<b>31-Dec-2019 EUR</b>
Cash at bank	326,399	296,629

Cash and cash equivalents consists of cash at bank. The cash at bank balance is at the free disposal of the company.

<b>9 Other assets</b>	<b>31-Dec-2020 EUR</b>	<b>31-Dec-2019 EUR</b>
Interest income receivable from investment securities	18,316,100	18,609,323
Tax advance	31,640	40,631
Other receivables	25,667	(10,849)
Loan to Boiro Finance B.V.	3,449	3,449
	<u>18,376,856</u>	<u>18,642,554</u>

The advances to Boiro Finance B.V. are unsecured, interest free and repayable in 2021.

<b>10 Share capital</b>	<b>31-Dec-2020 EUR</b>	<b>31-Dec-2019 EUR</b>
Authorised, issued and fully paid 180 ordinary shares of EUR 100 each	18,000	18,000

At 31 December 2020, Stichting Douro Finance held 100% of the shares of the Company and is entitled to dividend payments and carry voting rights. During the year ended 31 December 2020, the Company paid a dividend of EUR 119,500 (being a dividend per share of EUR 664) (2019: EUR 111,695 (being a dividend per share of EUR 621)) to Stichting Douro Finance.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2020**

<b>11 Debt securities issued</b>	<b>31-Dec-2020 EUR</b>	<b>31-Dec-2019 EUR</b>
<i>Nominal amount:</i>		
Opening balance as at 1 January	2,280,749,125	2,045,459,161
Additions during the year	381,761,614	494,583,084
Disposals / principal repayments during the year	(429,714,333)	(263,645,984)
Foreign currency movement	(27,812,604)	4,352,864
Closing balance as at 31 December	<u>2,204,983,802</u>	<u>2,280,749,125</u>
<i>Movement in fair value:</i>		
Opening balance as at 1 January	(42,550,017)	(230,812,590)
Additions during the year	-	(2,259,000)
Disposals during the year	(20,666,021)	(4,550,153)
Movement during the year	96,883,502	195,071,726
Closing balance as at 31 December	<u>33,667,464</u>	<u>(42,550,017)</u>
<b>Closing fair value as at 31 December</b>	<u>2,238,651,266</u>	<u>2,238,199,108</u>

  

	<b>Gross contractual value 31-Dec-2020 EUR</b>	<b>Carrying value 31-Dec-2020 EUR</b>	<b>Gross contractual value 31-Dec-2019 EUR</b>	<b>Carrying value 31-Dec-2019 EUR</b>
<i>Maturity analysis of debt securities issued is as follows :</i>				
Less than one year	65,514,621	68,760,681	148,105,821	150,172,005
Between one and five years	832,384,818	800,567,501	802,751,765	788,765,876
More than five years	1,307,084,363	1,369,323,084	1,329,891,539	1,299,261,227
	<u>2,204,983,802</u>	<u>2,238,651,266</u>	<u>2,280,749,125</u>	<u>2,238,199,108</u>

Debt securities issued for a particular series are designated at fair value through profit or loss as the related investment securities and derivatives are fair valued and when they contain embedded derivatives that significantly modify cash flows that otherwise would be required to be separated.

The outstanding notional amount of the financial liabilities designated at fair value through profit or loss as at 31 December 2020 was EUR 2,204,983,802 (2019: EUR 2,280,749,125).

The Company's obligations under debt securities issued and related derivative financial instruments are secured by collateral purchased and deposit entered into as described in Note 5 and Note 6 respectively. The investors' recourse per series is limited to the assets of that particular series.

Most of the debt securities issued are interest-bearing Notes which bear interest at rates ranging between 1% and 8%. The debt securities issued may be redeemable at their scheduled maturity dates or at the option of the Noteholder.

In the event that the accumulated losses prove not to be recoverable during the life of the Company, then this will reduce the obligation to the holders of the debt securities issued by the Company, i.e., contractual amounts at maturity by an equivalent amount.

<b>12 Other liabilities</b>	<b>31-Dec-2020 EUR</b>	<b>31-Dec-2019 EUR</b>
Interest payable on debt securities issued	9,837,928	15,019,025
Accruals	198,363	122,696
Interest free loan from CID Finance BV	45,000	45,000
	<u>10,081,291</u>	<u>15,186,721</u>

  

<b>13 Taxation</b>	<b>Profit for the year ended EUR</b>	<b>Tax for the year ended EUR</b>
Tax on profit on ordinary activities for 2019	129,470	24,599
Tax on profit on ordinary activities for 2020	120,525	19,887



## Notes to the financial statements (continued)

For the year ended 31 December 2020

## 13 Taxation (continued)

The corporate income tax rate for 2020 is 16.5% on the first EUR 200,000 and 25% above EUR 200,000 (2019: 19% on the first EUR 200,000 and 25% above EUR 200,000).

## 14 Net gain from investment securities

	Year ended 31-Dec-2020 EUR	Year ended 31-Dec-2019 EUR
<i>Designated as at fair value through profit or loss</i>		
Net changes in fair value during the year	36,747,916	210,740,180
Realised gain on investment securities	112,647,046	1,372,614
Unrealised exchange (loss) / gain on revaluation of investment securities	(34,429,666)	2,091,061
	<u>114,965,296</u>	<u>214,203,855</u>

## 15 Net loss from deposits

	Year ended 31-Dec-2020 EUR	Year ended 31-Dec-2019 EUR
<i>Designated as at fair value through profit or loss</i>		
Net changes in fair value during the year	341,018	695,485
Realised loss on deposits	-	168,958
Unrealised exchange (gain) / loss on revaluation of deposits	(1,528,747)	452,115
	<u>(1,187,729)</u>	<u>1,316,558</u>

## 16 Net loss on debt securities issued

	Year ended 31-Dec-2020 EUR	Year ended 31-Dec-2019 EUR
<i>Designated as at fair value through profit or loss</i>		
Net changes in fair value during the year	(76,217,481)	(190,521,573)
Realised loss on debt securities issued	20,666,021	4,550,153
Unrealised exchange loss / (gain) on revaluation of debt securities issued	27,812,604	(4,352,864)
	<u>(27,738,856)</u>	<u>(190,324,284)</u>

## 17 Other income

	Year ended 31-Dec-2020 EUR	Year ended 31-Dec-2019 EUR
Arranger income	<u>360,196</u>	<u>311,731</u>

## 18 Other expenses

	Year ended 31-Dec-2020 EUR	Year ended 31-Dec-2019 EUR
Audit fees*	156,344	131,226
Administration fees	59,132	-
Audit committee fees	12,100	12,100
Tax advisory fees	4,271	13,358
Bank charges	2,356	4,207
Filing fees	179	97
	<u>234,382</u>	<u>160,988</u>

The Company has no employees. The fees to Vistra Capital Markets (Netherlands) N.V. relate solely to the remuneration for its services as administrators of the Company.

\*The audit fees expensed in the current year is inclusive of VAT and includes additional expenses relating to the prior year audit which were not accrued for in the 2019 financial statements.

Audit fees relate solely to fees payable for the audit of the annual accounts. The audit fees (exclusive of VAT) is segregated as follows:

	KPMG Accountants N.V.	Other KPMG Network Firms	Total KPMG Network Firms	KPMG Accountants N.V.	Other KPMG Network Firms	Total KPMG Network Firms
	Year ended 31-Dec-2020 EUR	Year ended 31-Dec-2019 EUR	Year ended 31-Dec-2020 EUR	Year ended 31-Dec-2019 EUR	Year ended 31-Dec-2019 EUR	Year ended 31-Dec-2019 EUR
Current year audit fees	47,683	51,657	99,340	47,365	67,635	115,000
2019 overrun costs	3,667	9,953	13,620	-	-	-

## Notes to the financial statements (continued)

For the year ended 31 December 2020

## 19 Related party transactions

Stichting Douro Finance is the sole shareholder of the Company. During the year under review the company paid out a dividend of EUR 119,500, i.e. EUR 664 per share (2019 : EUR 111,695 i.e. EUR 621 per share) to its shareholder and there was no remuneration paid to management of the Company. The remuneration of management is paid by Stichting Douro from the profits made available to the Stichting Douro Finance by the Company through dividend payments.

## 20 Charges

The Notes issued by the Company are secured by way of collateral purchased in respect of each Note, and by assignment of a fixed first charge of the Company's rights, title and interest under the respective Swap Agreement for each series.

## 21 Accounting classifications and fair values of financial assets and liabilities

Assets	Categories of financial assets
Investment securities	Fair value through profit or loss
Deposits	Fair value through profit or loss
Derivative assets held for risk management purposes	Fair value through profit or loss
Notes Receivable	Fair value through profit or loss
Cash and cash equivalents	Loan and receivables
Other assets	Loan and receivables

Liabilities	Categories of financial liabilities
Debt securities issued	Fair value through profit or loss
Derivatives liabilities held for risk management purposes	Fair value through profit or loss
Bank overdraft	Amortised cost
Other liabilities	Amortised cost

	Carrying value 31-Dec-2020 EUR	Gross Contractual Amount 31-Dec-2020 EUR	Carrying value 31-Dec-2019 EUR	Gross Contractual Amount 31-Dec-2019 EUR
<b>Assets</b>				
Investment securities	2,232,105,735	1,781,222,427	2,178,270,464	1,805,410,508
Notes Receivable	-	-	-	-
Deposits	-	-	20,127,169	20,468,187
Derivative assets held for risk management purposes	437,314,704	2,214,821,730	519,307,760	2,295,768,150
Cash and cash equivalents	326,399	326,399	296,629	296,629
Other assets	18,376,856	18,376,856	18,642,554	18,642,554
	<u>2,688,123,694</u>	<u>4,014,747,412</u>	<u>2,736,644,576</u>	<u>4,140,586,028</u>

	Carrying value 31-Dec-2020 EUR	Gross Contractual Amount 31-Dec-2020 EUR	Carrying value 31-Dec-2019 EUR	Gross Contractual Amount 31-Dec-2019 EUR
<b>Liabilities</b>				
Debt securities issued	2,238,651,266	2,204,983,802	2,238,199,108	2,280,749,125
Derivatives liabilities held for risk management purposes	439,247,343	1,799,538,527	483,096,580	1,824,019,831
Bank overdraft	1	1	1	1
Other liabilities	10,081,291	10,081,291	15,186,721	15,186,721
	<u>2,687,979,901</u>	<u>4,014,603,621</u>	<u>2,736,482,410</u>	<u>4,119,955,678</u>

The table below shows the gross amounts of the derivatives that are set off in compliance with the IFRS 7.13 which indicated that the entity shall disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position.

	Before netting EUR	Netting EUR	31-Dec-2020 After netting EUR	Before netting EUR	Netting EUR	31-Dec-2019 After netting EUR
<b>Assets</b>						
Derivative assets held for risk management	1,750,257,417	(1,312,942,713)	437,314,704	2,015,151,339	(1,495,843,579)	519,307,760
<b>Liabilities</b>						
Derivative liabilities held for risk management	(1,752,190,056)	1,312,942,713	(439,247,343)	(1,978,940,159)	1,495,843,579	(483,096,580)

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2020**

**22 Financial instruments**

**(i) Credit risk**

The Swap Counterparty and the holders of the debt securities bear all the credit risks of the Company, in respect of the deposits, investment securities.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to the credit risk at the reporting date was:

<b>Assets</b>	<b>31-Dec-2020 EUR</b>	<b>31-Dec-2019 EUR</b>
Investment securities	2,232,105,735	2,178,270,464
Deposits	-	20,127,169
Derivative assets held for risk management purposes	437,314,704	519,307,760
Cash and cash equivalents	326,399	296,629
Other assets	18,376,856	18,642,554
	<b>2,688,123,694</b>	<b>2,736,644,576</b>
<b>Liabilities</b>	<b>31-Dec-2020 EUR</b>	<b>31-Dec-2019 EUR</b>
Debt securities issued	2,238,651,266	2,238,199,108
Derivatives liabilities held for risk management purposes	439,247,343	483,096,580
Bank overdraft	1	1
Other liabilities	10,081,291	15,186,721
	<b>2,687,979,901</b>	<b>2,736,482,410</b>

At the reporting date, the credit quality of the Company's investment securities was as follows:

<b>Rating</b>	<b>Rating agency</b>	<b>31-Dec-2020</b>	<b>31-Dec-2019</b>
A1	Moody's	0.04%	0.00%
A2	Moody's	2.72%	2.56%
A3	Moody's	5.45%	4.63%
Aa1	Moody's	1.10%	2.20%
Aa2	Moody's	0.45%	0.26%
Aa3	Moody's	0.03%	0.03%
Aaa	Moody's	0.85%	0.80%
Ba1	Moody's	0.23%	0.04%
Baa1	Moody's	23.33%	24.21%
Baa2	Moody's	2.63%	3.44%
Baa3	Moody's	47.54%	48.97%
AA+	S&P	0.00%	1.00%
AA	S&P	0.00%	0.00%
A-	S&P	6.99%	6.23%
BBB	S&P	0.59%	0.00%
BBB+	S&P	0.64%	0.64%
BBB-	S&P	0.00%	0.00%
A-	Fitch	0.18%	0.19%
BBB-	Fitch	0.00%	0.00%
Not rated		7.22%	4.80%
		<b>99.99%</b>	<b>100.00%</b>

*Concentration risk*

For management purposes, the Company is organised into one main operating segment, which invests in debt instruments, deposits and related derivatives. All the entities activities are inter-related, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the entity as one segment. The financial results from this segment are equivalent to the financial statements of the entity as a whole.

The Company is exposed to BBVA Group as a counterparty for derivatives and cash deposits and hence dependent on the financial performance of the BBVA Group as a whole. Management is of the opinion that this counterparty risk has properly being reflected in the current fair value measurement applied.

Assets of the Company (derivatives, deposits and investment securities) and their fair value might be affected by the developments in the economic situation, in particular Spain due to concentration risk in this market, amongst others resulting from exposure to BBVA. The deteriorating current developments in the Spanish Markets affect the fair value of the assets going forward but are fully borne by the holders of the debt securities and hence it will not have an impact on the Company as such.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

## 22 Financial instruments (continued)

## (i) Credit risk (continued)

The following table analyses the entity's operating income per geographical location. The basis for attributing the operating income is the place of incorporation of the instruments counterparty.

	31-Dec-2020	31-Dec-2019
<b>Country of origin:</b>		
Spain	39.84%	41.00%
USA	1.13%	0.99%
Germany	1.94%	1.83%
France	2.81%	2.14%
Austria	0.11%	0.10%
Curacao	0.03%	0.75%
Other	54.14%	53.19%
	<u>100.00%</u>	<u>100.00%</u>

The table below analyses the entity's operating income per industry. The basis for attributing the operating income is the industry in which the issuer of the instruments operate.

	31-Dec-2020	31-Dec-2019
<b>Industry type:</b>		
Government national	68.61%	71.06%
Other	16.89%	14.99%
Banking	8.16%	7.90%
Special purpose	4.65%	4.60%
Financial	1.69%	1.45%
	<u>100.00%</u>	<u>100.00%</u>

The table below analyses the entity's counterparty concentration. The basis for attributing the operating income is the counterparty in which the issuer invested into.

	31-Dec-2020	31-Dec-2019
<b>Counterparty Concentration:</b>		
Banco Bilbao Vizcaya Argentaria	4.58%	4.76%
Other counterparties	95.42%	95.24%
	<u>100.00%</u>	<u>100.00%</u>

## (ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's obligation to the Noteholders is limited to the net proceeds upon realisation of the collateral. Should the net proceeds be insufficient to make all payments due in respect of a particular series of Notes, the other assets of the Company will not be available for payment and the deficit is instead borne by the Noteholders and the swap counterparties according to the established priorities.

The maturity profile of financial assets are as follows:

## 31 December 2020

	Gross Contractual Amount EUR	Carrying value EUR	Less than one year EUR	Between one and five years EUR	More than five years EUR
<b>Assets</b>					
Investment securities	1,781,222,427	2,232,105,735	34,828,593	439,883,471	1,757,393,671
Derivative assets held for risk management purposes	2,214,821,730	437,314,704	12,601,541	386,302,513	38,410,650
Cash and cash equivalents	326,399	326,399	326,399	-	-
Other assets	18,376,856	18,376,856	18,376,856	-	-
	<u>4,014,747,412</u>	<u>2,688,123,694</u>	<u>66,133,389</u>	<u>826,185,984</u>	<u>1,795,804,321</u>
<b>Liabilities</b>					
Debt securities issued	2,204,983,802	2,238,651,266	68,760,681	800,567,501	1,369,323,084
Derivative liabilities held for risk management purposes	1,799,538,527	439,247,343	671,222	37,473,972	401,102,149
Bank overdraft	1	1	1	-	-
Other liabilities	10,081,291	10,081,291	10,081,291	-	-
	<u>4,014,603,621</u>	<u>2,687,979,901</u>	<u>79,513,195</u>	<u>838,041,473</u>	<u>1,770,425,233</u>

## Notes to the financial statements (continued)

For the year ended 31 December 2020

## 22 Financial instruments (continued)

## (ii) Liquidity risk (continued)

The maturity profile of financial liabilities as at 31 December 2019 is as follows:

31 December 2019	Gross Contractual Amount EUR	Carrying value EUR	Less than one year EUR	Between one and five years EUR	More than five years EUR
<b>Assets</b>					
Investment securities	1,805,410,508	2,178,270,464	20,146,081	483,789,521	1,674,334,862
Deposits	20,468,187	20,127,169	20,127,169	-	-
Derivative assets held for risk management purposes	2,295,768,150	519,307,760	77,420,491	418,770,153	23,117,116
Cash and cash equivalents	296,629	296,629	296,629	-	-
Other assets	18,642,554	18,642,554	18,642,554	-	-
	<u>4,140,586,028</u>	<u>2,736,644,576</u>	<u>136,632,924</u>	<u>902,559,674</u>	<u>1,697,451,978</u>
<b>Liabilities</b>					
Debt securities issued	2,280,749,125	2,238,199,108	150,172,005	788,765,876	1,299,261,227
Derivative liabilities held for risk management purposes	1,824,019,831	483,096,580	-	49,281,852	433,814,728
Bank overdraft	1	1	1	-	-
Other liabilities	15,186,721	15,186,721	15,186,721	-	-
	<u>4,119,955,678</u>	<u>2,736,482,410</u>	<u>165,358,727</u>	<u>838,047,728</u>	<u>1,733,075,955</u>

## (iii) Market risk

Market risk is the potential adverse change in earnings or the value of net worth arising from movements in interest rates, foreign exchange rates or other market prices.

## (a) Currency risk

The Company limits its exposure to currency risk by operating bank accounts in other currencies than its functional currency for receipts and payments in other currencies than its functional currencies. The Company is exposed to movement in exchange rates between EUR, its functional currency, and certain foreign currencies namely United States dollar (USD) and British Pounds (GBP).

The Company's exposure to foreign currency risk as at 31 December 2020 is as follows:

	<i>In source currency In reporting currency</i>	GBP EUR	EUR EUR	USD EUR	Total EUR
Investment securities		24,091,012	1,725,563,643	482,451,080	2,232,105,735
Derivative assets held for risk management purposes		954,709	426,347,153	10,012,842	437,314,704
Cash and cash equivalents		-	326,399	-	326,399
Other assets		33,076	15,854,993	2,488,787	18,376,856
		<u>25,078,797</u>	<u>2,168,092,188</u>	<u>494,952,709</u>	<u>2,688,123,694</u>
Derivatives liabilities held for risk management purposes		-	(430,919,812)	(8,327,531)	(439,247,343)
Debt securities issued		(954,708)	(1,916,283,437)	(321,413,121)	(2,238,651,266)
Bank overdraft		-	(1)	-	(1)
Other liabilities		-	(9,740,936)	(340,355)	(10,081,291)
		<u>(954,708)</u>	<u>(2,356,944,186)</u>	<u>(330,081,007)</u>	<u>(2,687,979,901)</u>
Net position		<u>24,124,089</u>	<u>(188,851,998)</u>	<u>164,871,702</u>	<u>143,793</u>

The following significant exchange rates applied during the year ended 31 December 2020:

	Average Rate	Closing Rate
USD	0.8773	0.8186
GBP	1.1251	1.1186

**Notes to the financial statements (continued)**

For the year ended 31 December 2020

**22 Financial instruments (continued)****(iii) Market risk (continued)**

The Company's exposure to foreign currency risk as at 31 December 2019 is as follows:

	<i>In source currency</i>	<b>GBP</b>	<b>EUR</b>	<b>USD</b>	<b>Total</b>
	<i>In reporting currency</i>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Investment securities		-	1,821,498,183	356,772,281	2,178,270,464
Deposits		-	-	20,127,169	20,127,169
Derivative assets held for risk management purposes		1,345,139	498,582,855	19,379,766	519,307,760
Cash and cash equivalents		-	296,629	-	296,629
Other assets		-	16,551,004	2,091,550	18,642,554
		<u>1,345,139</u>	<u>2,336,928,671</u>	<u>398,370,766</u>	<u>2,736,644,576</u>
Derivatives liabilities held for risk management purposes			(472,889,083)	(10,207,497)	(483,096,580)
Debt securities issued		(1,345,138)	(2,008,199,745)	(228,654,225)	(2,238,199,108)
Bank overdraft			(1)	-	(1)
Other liabilities			(14,382,442)	(804,279)	(15,186,721)
		<u>(1,345,138)</u>	<u>(2,495,471,271)</u>	<u>(239,666,001)</u>	<u>(2,736,482,410)</u>
Net position		<u>1</u>	<u>(158,542,600)</u>	<u>158,704,765</u>	<u>162,166</u>

The following significant exchange rates applied during the year ended 31 December 2019:

	<b>Average Rate</b>	<b>Closing Rate</b>
USD	0.8935	0.8919
GBP	1.1409	1.1825

**(b) Sensitivity Analysis**

The impact of any change in the exchange rates and interest rate on the investment securities relating to any series is offset by the foreign exchange rate and interest rate changes on the debt securities issued under the series. Any difference is borne by the Swap Counterparty and thus the exchange rate and interest rate changes have no net impact on the statement of comprehensive income of the Company.

**(c) Price risk**

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Company does not consider price risk to be a significant risk to the Company as any fluctuation in the value of investment securities held by the Company will be borne by the Swap Counterparties and / or Noteholders.

**(iv) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel and infrastructure, and from external factors other than credit, markets and liquidity issues such as those arising from legal and regulatory requirements and generally accepted standards to corporate behaviour.

Operational risks arise from all of the Company's operations. The Company was incorporated with the purpose of engaging in those activities outlined in the preceding paragraphs. All management and administration functions are outsourced to Vistra Capital Markets (Netherlands) N.V.

**(v) Capital risk management**

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders. The capital structure of the Company consists of debt securities and equity comprising of issued capital and reserves.

**(vi) Fair values**

The Company's investment securities, derivative financial instruments and debt securities issued are carried at fair value on the statement of financial position. Usually the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. The carrying amounts of all the Company's financial assets and financial liabilities at the reporting date approximated their fair values.

The categorisation of fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

## 22 Financial instruments (continued)

## (vi) Fair values (continued)

At the reporting date, the carrying amounts of financial assets and financial liabilities issued by the Company which fair values were determined directly, in full or in part, by reference to published price quotations and determined using valuation techniques are as follows:

The fair values as at 31 December 2020 in the below disclosure note have been disclosed at dirty prices.

	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Investment securities	1,812,018,385	302,543,819	135,859,632	2,250,421,836
Derivative assets held for risk management purposes	-	436,359,993	954,711	437,314,704
Debt securities	-	(2,078,852,791)	(169,636,406)	(2,248,489,197)
Derivative liabilities held for risk management purposes	-	(439,247,343)	-	(439,247,343)
	<u>1,812,018,385</u>	<u>(1,779,196,322)</u>	<u>(32,822,063)</u>	<u>-</u>

The directors consider the carrying amounts of financial assets and financial liabilities (other than those categorised as fair value through profit or loss) recognised in the financial statements to approximate their fair values.

	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Cash and cash equivalents	326,399	-	-	326,399
Other assets	12,754,692	5,542,303	19,105	18,316,100
Bank overdraft	(1)	-	-	(1)
Other liabilities	-	(9,759,610)	(78,318)	(9,837,928)
	<u>13,081,090</u>	<u>(4,217,307)</u>	<u>(59,213)</u>	<u>8,804,570</u>

The fair values as at 31 December 2019 in the below disclosure note have been disclosed at dirty prices.

	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Investment securities	1,886,827,469	305,319,012	4,733,306	2,196,879,787
Derivative assets held for risk management purposes	-	519,307,760	-	519,307,760
Deposits	-	20,127,169	-	20,127,169
Debt securities	-	(2,253,218,136)	-	(2,253,218,136)
Derivative liabilities held for risk management purposes	-	(483,096,580)	-	(483,096,580)
	<u>1,886,827,469</u>	<u>(1,891,560,775)</u>	<u>4,733,306</u>	<u>-</u>

The directors consider the carrying amounts of financial assets and financial liabilities (other than those categorised as fair value through profit or loss) recognised in the financial statements to approximate their fair values.

	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Cash and cash equivalents	296,629	-	-	296,629
Other assets	13,055,073	5,533,839	20,411	18,609,323
Bank overdraft	(1)	-	-	(1)
Other liabilities	-	(15,019,025)	-	(15,019,025)
	<u>13,351,701</u>	<u>(9,485,186)</u>	<u>20,411</u>	<u>3,886,926</u>

BBVA continuously carries out an analysis and a review of different drivers. The main ones being:

- Liquidity indicators: the trading frequency and the trading volume of the securities, the number of contributors which support a quoted market price, the existence of an active market, the volatility of the quoted prices.
- Credit indicators: the credit rating of the collaterals, the concentration of the collaterals

These kind of analysis provides the Company relevant information to detect which securities are able to be transferred from one level to another level within the categories of fair value described in the Note 2 "Basis of preparation".

According to the classification levels :

- The movement of securities into Level 1 are those that now have observable liquid prices in the market.
- The movement into level 2 securities are those that do not have observable liquid prices anymore. So their theoretical prices are derived from observable market inputs.
- The movement into level 3 are those securities where some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

## 22 Financial instruments (continued)

## (vi) Fair values (continued)

The transfers between the fair value hierarchy classification levels for financial assets and financial liabilities classified as fair value through profit or loss during the year were as follows:

	Level 1		Level 2		Level 3	
	Transfers in EUR	Transfers out EUR	Transfers in EUR	Transfers out EUR	Transfers in EUR	Transfers out EUR
Investment securities	-	-	-	-	-	-
Derivative assets held for risk management purposes	-	-	-	(954,710)	954,710	-
Derivative liabilities held for risk management purposes	-	-	-	-	-	-
Debt securities	-	-	-	(40,079,854)	40,079,854	-

The changes in financial instruments measured at fair value using significant Level 3 inputs are reflected below :

	Opening Balance EUR	Purchases EUR	Sales EUR	Realised and Unrealised Gains/(Losses), net EUR	Transfers In and/or Out of Level 3, net EUR	Ending Balance December 31 EUR
<b>31-Dec-2020</b>						
Investment securities	4,733,306	133,362,167	-	(3,884,754)	1,648,913	135,859,632
Derivative assets held for risk management purposes	-	-	-	1	954,710	954,711
Derivative liabilities held for risk management purposes	-	-	-	-	-	-
Debt securities	-	(133,362,167)	-	3,805,615	(40,079,854)	(169,636,406)
<b>31-Dec-2019</b>						
Investment securities	31,238,303	-	(27,872,363)	(3,365,940)	4,733,306	4,733,306
Derivative assets held for risk management purposes	1,372,467	115,968	-	(751,780)	(736,655)	-
Derivative liabilities held for risk management purposes	(2,634,643)	1,132,923	-	(2,353,991)	3,855,711	-
Debt securities	(108,974,958)	-	44,864,003	(8,542,402)	72,653,357	-

## (vii) Significant accounting policies

Details of the significant accounting policies and method adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised are disclosed in Note 3 of these financial statements.

## 23 Additional links to information on business environment for BBVA

- (a) The published condensed interim consolidated financial statements of the Group for the three month period ending on 31 March 2021 (including the auditors' limited review report thereon).  
(<https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/>).



**Notes to the financial statements (continued)**  
**For the year ended 31 December 2020****23 Additional links to information on business environment for BBVA (continued)**

- (b) The English translations of the audited consolidated annual financial statements of BBVA for the financial year ended on 31 December 2020 (which includes for comparison purposes financial data for the years ended on 31 December 2019 and 2018) and the audit report issued in respect thereof, prepared in accordance with EU-IFRS, which are available on BBVA's website ([https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/03/Annual-Report-2020\\_ENG1.pdf](https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/03/Annual-Report-2020_ENG1.pdf)) and have been filed with the Central Bank of Ireland. The Spanish version of which was filed with the Spanish Securities Market Commission (the "CNMV") and can be also consulted on their website ([www.cnmv.es](http://www.cnmv.es)).
- (c) The English translations of the audited consolidated annual financial statements of BBVA for the financial year ended on 31 December 2019 (which includes for comparison purposes financial data for the years ended on 31 December 2018 and 2017) and the audit report issued in respect thereof, prepared in accordance with EU-IFRS, which are available on BBVA's website ([https://shareholdersandinvestors.bbva.com/wp-content/uploads/2020/03/AnnualReport2019BBVAGroup\\_Eng-1.pdf](https://shareholdersandinvestors.bbva.com/wp-content/uploads/2020/03/AnnualReport2019BBVAGroup_Eng-1.pdf)) and have been filed with the Central Bank of Ireland. The Spanish version of which was filed with the Spanish Securities Market Commission (the "CNMV") and can be also consulted on their website ([www.cnmv.es](http://www.cnmv.es)).

**24 Subsequent events**

Except for the below, there were no significant post balance events that would affect the presentation and disclosure in the current year.

At the date of our report, the Company had issued the following new Series of Notes:

Series 2021-637 EUR 15,000,000 Secured Limited Recourse Index Linked Securities due 2028  
Series 2021-638 EUR 2,300,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-639 EUR 1,950,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-640 EUR 6,150,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-641 EUR 8,150,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-642 EUR 75,000,000 Secured Limited Recourse Fixed Rate and Index-Linked Securities due 2026  
Series 2021-643 EUR 6,250,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-644 USD 1,550,000 Secured Limited Recourse Index Linked Securities due 2024  
Series 2021-645 EUR 2,600,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-646 EUR 5,000,000 Secured Limited Recourse Fixed Rate and Index-Linked Securities due 2029  
Series 2021-647 EUR 12,700,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-648 EUR 6,500,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-649 EUR 8,100,000 Secured Limited Recourse Variable Interest Amount Securities due 2037  
Series 2021-650 EUR 2,650,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-651 EUR 4,300,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-652 EUR 3,300,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-653 USD 55,460,000 Secured Limited Recourse Floating Rate Securities due 2022

**Notes to the financial statements (continued)**

**For the year ended 31 December 2020**

**24 Subsequent events (continued)**

At the date of our report, the below Series of Notes were fully redeemed / matured:

Series 2014-158 EUR 2,000,000 Secured Limited Recourse Credit Linked Securities due 2021  
Series 2016-304 EUR 2,600,000 Secured Limited Recourse Equity-Linked Securities Due 2021  
Series 2016-337 EUR 2,000,000 Secured Limited Recourse Index Linked Securities due 2021  
Series 2016-339 USD 1,050,000 Secured Limited Recourse Index linked Securities due 2021  
Series 2017-474 EUR 1,200,000 Secured Limited Recourse Index linked Securities due 2022  
Series 2018-501 USD 20,000,000 Secured Limited Recourse Credit-Linked Securities due 2027  
Series 2018-504 USD 20,000,000 Secured Limited Recourse Credit- Linked Securities due 2027  
Series 2018-507 USD 20,000,000 Callable Secured Limited Recourse Credit-Linked Securities due 2028  
Series 2020-605 EUR 10,450,000 Secured Limited Recourse Equity Linked Securities due 2025  
Series 2020-606 EUR 1,750,000 Secured Limited Recourse Index Linked Securities due 2025  
Series 2020-627 EUR 11,000,000 Secured Limited Recourse Index Linked Securities due 2025  
Series 2021-638 EUR 2,300,000 Secured Limited Recourse Index Linked Securities due 2026  
Series 2021-640 EUR 6,150,000 Secured Limited Recourse Index Linked Securities due 2026

On behalf of the Board of Directors

Vistra Capital Markets (Netherlands) N.V.

Date: 5 November 2021

## **Other information**

**For the year ended 31 December 2020**

### ***Statutory rules concerning the appropriation of results***

The appropriation of profit is governed by Article 21 of the articles of association. The profit is at free disposal of the general meeting. The general meeting may decide to pay dividend only after adoption of the annual accounts and if profit so permits.

### ***Independent auditor's report***

Reference is made to the Independent auditor's report as included hereinafter.

**Independent auditor’s report to the shareholders of Douro Finance B.V.**

**Independent auditor’s report to the shareholders of Douro Finance B.V.**  
**(continued)**