

Independent auditor's report

To: the shareholder of Douro Finance B.V.

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

We have audited the financial statements 2022 of Douro Finance B.V. based in Amsterdam, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Douro Finance B.V. as at 31 December 2022 and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The statement of financial position as at 31 December 2022
- The following statements for 2022: the statement of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Douro Finance B.V. (the Company) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Douro Finance B.V. is incorporated 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 in series pursuant to a €5,000,000,000 Secured Limited Recourse Note Programme for the issue of Notes and the making of Alternative Investments arranged by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA). The attributes of the debt securities issued are mirrored in the investment securities and derivatives held for risk management purposes.

Stichting Douro Finance is the sole shareholder of the Company. The Company has its tax residency in the Netherlands.

The Company has no employees and relies on the human resources, systems as well as the policies, processes and procedures of the director (Vistra Capital Markets (Netherlands) N.V.) and BBVA. References to executives or (staff) functions in this section concern the executives or functions from the director.

We paid specific attention in our audit to a number of areas driven by the activities of the Company and our risk assessment.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€16.7 million.
Benchmark applied	0.75% of total assets as at 31 December 2022.
Explanation	We determined materiality based on our understanding of the Company's business and our perception of the financial information needs of users of the financial statements. We considered that total assets reflects the source of income and repayments to the holders of the debt securities issued by the Company.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of directors that misstatements in excess of €0.8 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a finance company. We used the work performed by the EY Global member firm in Spain under our instruction and supervision, and included specialists in the areas of income taxes and valuation of financial instruments.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Company and its environment and the components of the system of internal control, including the risk assessment process and the board of directors' process for responding to the risks of fraud and monitoring the system of internal control as well as the outcomes.

We refer to section Principal Risks and Uncertainties of the director's report for board of directors' risk assessment after consideration of potential fraud risks.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. For these risks we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in the section Use of estimates and judgements in note 2 (b) to the financial statements. We have also performed procedures to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties. We particularly evaluated whether transactions with related parties were accounted for at arm's length and in accordance with contractual agreements.

These risks did however not require significant auditor's attention during our audit.

We did not identify a risk of fraud in revenue recognition.

We considered available information and made enquiries of relevant executives, the auditor of the group and the Company's board of directors.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of directors, reading minutes, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected correspondence with regulatory authorities, enquired with the auditor of the group and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in the section Going concern in note 2 (a) to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the board of directors made a specific assessment of the Company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the board of directors exercising professional judgment and maintaining professional skepticism. We considered whether the board of directors' going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the Company's ability to continue as a going concern including considerations relating to the financial position of the group in cooperation with the group auditor. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a Company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the board of directors. The key audit matter is not a comprehensive reflection of all matters discussed.

Estimation uncertainty in respect to the valuation of Level 2 and Level 3 investment securities, derivatives held for risk management purposes and debt securities issued

<p>Risk</p>	<p>Investment securities, derivatives held for risk management purposes and debt securities issued are measured at fair value through profit and loss as disclosed in note 5, 6 and 10 to the financial statements. The Company presents fair value changes, including foreign exchange gains and losses and/or interest income and expense as well as fair value changes from changes in the credit risk on investment securities, derivatives held for risk management purposes, on the face of the statement of comprehensive income. The credit risk, concentration risk, liquidity risk and market risks, inter alia due to the derivative attributes, where the return is linked to equity, credit and interest-rate related attributes, as well as other risks are disclosed in note 20 to the financial statements.</p> <p>As investment securities, derivatives held for risk management purposes and debt securities (including embedded derivatives) issued represent the most significant portion of the Company's assets/liabilities and given the inherent complexity of the fair value estimate, we have identified the valuation of the level 2 and level 3 investment securities, derivatives held for risk management purposes and debt securities issued as a key audit matter and significant risk.</p>
<p>Our audit approach</p>	<p>Our audit procedures included, amongst others, evaluating the appropriateness of the Company's accounting policy relating to the valuation of the investment securities, derivatives held for risk management purposes and debt securities issued in accordance with IFRS 13 "Fair Value Measurement" as well as current and emerging industry practices and whether these have been applied consistently.</p> <p>We have obtained an understanding of the valuation process, evaluated the design and tested operating effectiveness of internal controls. This includes those controls within the model validation process and the independent price verification process that address the risk of material misstatements relating to management's assessment of the significant inputs and estimates included in the fair value measurement, specifically related to credit risk. It also included testing of model performance and suitability controls in the current market conditions.</p> <p>Furthermore, we evaluated valuation methodologies and tested the most significant valuation input by comparing the input to independently sourced market data. We also performed substantive procedures on a sample basis to determine that any derivative attributes were identified and correctly recognized based on the underlying documentation. We performed independent testing on fair values with the support of our own valuation specialists.</p> <p>Finally, we evaluated the related disclosures in the financial statements in accordance with IFRS 13 "Fair Value Measurement" and IFRS 7 "Financial Instruments: Disclosures".</p>
<p>Key observations</p>	<p>Based on our procedures performed, we have no material findings on the valuation of the investment securities, derivatives held for risk management purposes and debt securities issued and agree with the board of directors' assessment of the measurement and disclosures in accordance with EU-IFRS.</p>

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the board of directors as auditor of Douro Finance B.V. on 2 June 2023, as of the audit for the year 2022.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, board of directors should prepare the financial statements using the going concern basis of accounting unless the shareholder either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee of the parent in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 22 September 2023

Ernst & Young Accountants LLP

signed by P. Sira

DOURO FINANCE B.V.

Annual Report

For the year ended

31 December 2022

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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Directors and other information

Directors	Vistra Capital Markets (Netherlands) N.V.
Registered Office	Jupiter Building Herikerbergweg 88 1101 CM Amsterdam The Netherlands
Trustee	Deutsche Trustee Company Limited Winchester House 1 Great Winchester Street London EC2N 2DB
Administrator & Company Secretary	Vistra Capital Markets (Netherlands) N.V. Jupiter Building Herikerbergweg 88 1101 CM Amsterdam The Netherlands
Independent Auditor	Ernst & Young Accountants LLP Antonio Vivaldistraat 150 1083 HP Amsterdam The Netherlands
Arranger, Issue Agent, Principal Paying Agent, Custodian & Registrar, Swap Counterparty	Banco Bilbao Vizcaya Argentaria, S.A. Sauceda 28, Edificio Asia - Nivel I 28050 Madrid Spain
Listing Agents	Banco Bilbao Vizcaya Argentaria, S.A. Sauceda 28, Edificio Asia - Nivel I 28050 Madrid Spain
Tax Advisor	Simmons & Simmons Claude Debussylaan 247 1082 MC Amsterdam The Netherlands

Directors' report

The Board of Directors of Douro Finance B.V. (the "Company") herewith presents the Directors' report and the financial statements for the year ended 31 December 2022.

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, 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.

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

The Company limits its exposure to risk by issuing limited recourse debt instruments. The risk of default on these investments is therefore borne by the holders of the issued limited recourse debt instruments in accordance with their respective agreements.

The Investment Securities mainly consist of corporate and government bonds.

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 2022, the Company had in issue 172 series, nominal amounting to EUR 2,130,376,304 and fair value amount of EUR 1,686,400,024.

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

Business review

During the year:

- The Company issued 45 new series and fully redeemed 65 series.
- The Company issued new debt securities for an amount of EUR 449,545,802 (2021: EUR 217,159,414) and redeemed debt securities for an amount of EUR 433,899,420 (2021: EUR 336,061,004).
- The Company acquired new investment securities for an amount of EUR 709,809,127 (2021: EUR 203,887,472) and disposed of existing investment securities for an amount of EUR 210,413,695 (2021: EUR 237,828,222).
- The realised gain on investment securities disposed amounted to EUR 69,001,061 (2021: realised gain EUR 33,345,478).
- The Company made a profit after tax of EUR 144,384 (2021: EUR 143,475).
- Net changes in fair value of investment securities designated at fair value through profit or loss amounted to a loss of EUR 505,886,966 (2021: loss of EUR 80,671,793).
- Net changes in fair value of deposits designated at fair value through profit or loss amounted to EUR Nil (2021: EUR Nil).
- Net changes in fair value of debt securities designated at fair value through profit or loss amounted to a gain of EUR 383,505,808 (2021: gain of EUR 94,137,936).
- The Company paid EUR 143,745 as dividend (2021: EUR 105,905).

As at 31 December 2022:

- The Company's total indebtedness was EUR 2,219,687,985 (2021: EUR 2,590,340,389).
- The cash position at balance sheet date was EUR 328,707 (2021: EUR 348,522).

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 38.58% (2021: 36.80%) of the Company's income is generated from investment securities based in Spain and 75.74% (2021: 74.84%) of net income is attributable to the government sector. A more detailed breakdown is provided in Note 22.

The risk of default on these assets is borne by the counterparty of the asset or the 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.

(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) Asset-specific performance risk

Asset-specific performance risk is related to the risk that a single asset or a group of assets will perform poorly (or not at all).

The Company is legally isolated so the assets in the entity are ring-fenced solely for the benefit of its investors, even in the event of bankruptcy. Any changes in the fair value of the Investment securities and / or Derivative instruments is reflected in the changes in the fair value of the Debt securities and / or Derivative instruments.

(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 and procedures are in place to reduce subjectivity in terms of measurement and reporting. The Directors have implemented a Code of Business Conduct and Ethics, a whistleblower policy (SpeakUp) and an anti-fraud policy to prevent fraud and non-compliance with laws and regulations.

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.

Results and dividends for the year

The Company recorded a profit of EUR 144,384 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 2022 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 2022 will continue in existence for at least more than one year. Based on these, the Directors believe that the going concern basis is appropriate.

Russia-Ukraine conflict

The ongoing war in Ukraine and the related sanctions targeted against the Russian Federation may have impact on the European economies and globally. The Company does not have any significant direct exposure to Ukraine, Russia or Belarus. However, the impact on the general economic situation may require revisions of certain assumptions and estimates. This may lead to material adjustments to the carrying value of certain assets and liabilities within the next financial year. At this stage management is not able to reliably estimate the impact as events are unfolding day-by-day.

The longer-term impact may also affect trading volumes, cash flows and profitability. Nevertheless, at the date of these financial statements the Company continues to meet its obligations as they fall due, therefore continues to apply the going concern and the Board of Managers continues to monitor the evolving situation and its impact on the financial position of the Company.

Business environment

The global economy has slowed down throughout 2022, in an environment marked by strong inflationary pressures, an aggressive tightening of monetary conditions, the negative impact of the war in Ukraine and lower growth in China.

Despite the moderation trend, the uncertainty about the future evolution of the monetary policy and the recent turmoil in the banking sector in March, 2023, economic growth has exhibited a certain resilience and has generally been higher than expected by most analysts due to previously accumulated savings, the normalization of activity following the restrictions and disruptions generated by the COVID-19 pandemic, as well as the dynamism of the labour markets, which have contributed, in particular, to the performance of private consumption and the services sector.

Inflation has remained at high levels in 2022. However, after surging upwards for most of the year, it has begun to moderate in recent months, in line with the slowdown in aggregate demand, the recent moderation of energy prices and the process of normalization of global supply chains. In annual terms, inflation reached 9.2% in the Eurozone at the end of the year 2022.

In this context of still high inflationary pressures, central banks have continued to tighten monetary conditions. In the Eurozone, the ECB has raised interest rates for its refinancing operations to 2.5% in December (250 basis points higher than the level at the beginning of 2022), it has tightened the conditions of its Tetas (targeted longer-term refinancing operations), which provide financing to credit institutions, and has indicated that it could soon launch an asset selling program. Further adjustments were announced in the coming months, such as the rise in the ECB's target range for funds rate to 3.5%, announced during March, 2023.

In a highly uncertain environment, the baseline scenario of BBVA Research considers that the global economy will continue to slow down in the near future, with possible episodes of recession in the Eurozone. This slowdown in growth is mainly attributable to the significant tightening of monetary conditions (official interest rates are expected to reach around 3.75% in the Eurozone in the coming months, and to remain unchanged until, at least, the end of the year 2023) and still high inflation, which, however, will likely slowdown progressively.

According to BBVA Research, after increasing by 6.3% in 2021 and around 3.3% in 2022, global GDP will grow by just 2.3% in 2023. In the Eurozone, slight drops in GDP are likely in the coming quarters, mainly due to the disruptions created by the war in Ukraine, including the still high gas prices. Annual growth in the region is expected to be around 3.2% in 2022 and -0.1% in 2023.

Directors, Secretary and their interests

The Directors and Secretary who held office on 31 December 2022 did not hold any shares in the Company at that date, or during the year. There were no contracts 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 representatives 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).

During the year under review, there was no remuneration paid to management of the Company.

Directors' report (continued)

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.

The Company paid EUR 12,100 for the remuneration of the members of the audit 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. At this stage it is too soon to estimate if any specific plans in the future will be necessary.

Appropriation of net income for the year

Awaiting the decision of shareholders, the net income for the year ended 2022 is separately included in the shareholders equity as unappropriated net income.

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 2023-700 EUR 45,000,000 Secured Limited Recourse Variable Interest Amount and Index-Linked Securities due 2028 (the "Securities")
Series 2023-705 EUR 5,400,000 Index Linked Secured Limited Recourse Securities due 2026 (the "Securities")
Series 2023-707 EUR 90,000,000 Secured Limited Recourse Variable Rate Securities due 2035 (the "Securities")
Series 2023-708 EUR 13,700,000 Secured Limited Recourse Variable Interest Amount and Index-Linked Securities due 2028 (the "Securities")
Series 2023-709 EUR 4,000,000 Secured Limited Recourse Fixed Rate Securities due 2035 (the "Securities")
Series 2023-710 EUR 40,000,000 Secured Limited Recourse Floating Rate Securities due 2033 (the "Securities")
Series 2023-711 EUR 8,750,000 Secured Limited Recourse Credit Linked Securities due 2028 (the "Securities")
Series 2023-712 EUR 9,350,000 Index Linked Secured Limited Recourse Securities due 2028 (the "Securities")
Series 2023-713 EUR 4,050,000 Index Linked Secured Limited Recourse Securities due 2028 (the "Securities")
Series 2023-714 EUR 35,000,000 Secured Limited Recourse Fixed Rate Securities due 2028 (the "Securities")
Series 2023-715 EUR 1,350,000 Index Linked Secured Limited Recourse Securities due 2025 (the "Securities")
Series 2023-716 EUR 2,000,000 Index Linked Secured Limited Recourse Securities due 2026 (the "Securities")
Series 2023-717 EUR 10,100,000 Secured Limited Recourse Index Linked Securities due 2032 (the "Securities")
Series 2023-719 EUR 1,700,000 Index Linked Secured Limited Recourse Securities due 2028 (the "Securities")
Series 2023-721 EUR 2,000,000 Index Linked Secured Limited Recourse Securities due 2028 (the "Securities")
Series 2023-722 EUR 5,650,000 Index Linked Secured Limited Recourse Securities due 2028 (the "Securities")

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

Series 2018-488 EUR 5,900,000 Secured Limited Recourse Index Linked Securities due 2023
Series 2018-492 EUR 10,350,000 Secured Limited Recourse Index Linked Securities due 2023
Series 2018-494 EUR 5,000,000 Secured Limited Recourse Credit-Linked Securities due 2023
Series 2018-497 GBP 1,450,000 Secured Limited Recourse Equity Linked Securities due 2023
Series 2018-498 EUR 2,000,000 Secured Limited Recourse Equity Linked Securities due 2023
Series 2018-500 EUR 2,000,000 Secured Limited Recourse Index Linked Securities due 2023
Series 2020-608 EUR 1,100,000 Secured Limited Recourse Equity Linked Securities due 2025
Series 2020-612 EUR 23,520,000 Secured Limited Recourse Fixed Rate Securities due 2023
Series 2020-614 EUR 6,100,000 Secured Limited Recourse Index Linked Securities due 2023
Series 2022-674 EUR 5,350,000 Index Linked Secured Limited Recourse Securities due 2027
Series 2022-675 EUR 5,200,000 Index Linked Secured Limited Recourse Securities due 2027
Series 2022-678 EUR 3,100,000 Index Linked Secured Limited Recourse Securities due 2025

On behalf of the Board of Directors

Vistra Capital Markets (Netherlands) N.V.

Date: 22 September 2023

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: 22 September 2023

Statement of financial position**As at 31 December 2022**

(Before appropriation of profit)

	Note (s)	31-Dec-2022 EUR	31-Dec-2021 EUR
Non-current assets			
Investment securities	5	1,856,692,746	2,145,994,157
Derivatives held for risk management purposes	6	175,567,697	193,936,270
Total non-current assets		<u>2,032,260,443</u>	<u>2,339,930,427</u>
Current assets			
Investment securities	5	89,910,397	38,495,539
Derivatives held for risk management purposes	6	91,178,141	206,335,625
Cash and cash equivalents	7	328,708	348,523
Other assets	8	19,039,638	16,559,171
Total current assets		<u>200,456,884</u>	<u>261,738,858</u>
Total assets		<u>2,232,717,327</u>	<u>2,601,669,285</u>
Equity			
Share capital	9	18,000	18,000
Retained earnings		(270)	-
Profit for the year (unappropriated net income)		144,384	143,475
Total equity		<u>162,114</u>	<u>161,475</u>
Non-current liabilities			
Derivatives held for risk management purposes	6	511,691,813	546,295,665
Debt securities issued	10	1,483,018,335	1,734,546,515
Total non-current liabilities		<u>1,994,710,148</u>	<u>2,280,842,180</u>
Current liabilities			
Debt securities issued	10	203,381,689	307,218,652
Derivatives held for risk management purposes	6	21,596,148	2,279,557
Bank overdraft		1	1
Other liabilities	11	12,841,748	11,122,215
Taxation	12	25,479	45,205
Total current liabilities		<u>237,845,065</u>	<u>320,665,630</u>
Total liabilities		<u>2,232,555,213</u>	<u>2,601,507,810</u>
Total liabilities and equity		<u>2,232,717,327</u>	<u>2,601,669,285</u>

Approved and authorised for issue

On behalf of the Board of Directors**Vistra Capital Markets (Netherlands) N.V.****Date: 22 September 2023**

The notes on pages 12 to 33 form an integral part of these financial statements

Statement of comprehensive income
For the year ended 31 December 2022

		Year ended 31-Dec-2022 EUR	Year ended 31-Dec-2021 EUR
	Note (s)		
Interest income	13	56,373,477	47,787,240
Interest expense	14	(56,658,118)	(54,379,510)
Net interest expense		<u>(284,641)</u>	<u>(6,592,270)</u>
<i>Designated as at fair value through profit or loss</i>			
Net loss from investment securities	15	(418,617,704)	(21,333,960)
Net gain on debt securities issued	16	395,038,550	73,583,205
Net income from derivative financial instruments held for risk management purposes		258,770,821	98,175,471
Net loss from derivative financial instruments held for risk management purposes		(136,389,663)	(111,641,614)
Realised gain on settlement of derivatives		47,227,880	49,210,611
Realised loss on settlement of derivatives		<u>(145,745,243)</u>	<u>(81,401,443)</u>
Operating income		-	-
Other income	17	427,218	462,362
Other expenses	18	<u>(285,411)</u>	<u>(274,613)</u>
Profit on ordinary activities before taxation		141,807	187,749
Taxation - previous year		28,056	(18,955)
Taxation - current year	12	<u>(25,479)</u>	<u>(25,319)</u>
Profit for the year		144,384	143,475
Other comprehensive income		-	-
Total comprehensive income for the year		<u>144,384</u>	<u>143,475</u>

All items dealt with in arriving at the profit for the year ended 31 December 2022 related to continuing operations.

Approved and authorised for issue

On behalf of the Board of Directors

Vistra Capital Markets (Netherlands) N.V.

Date: 22 September 2023

The notes on pages 12 to 33 form an integral part of these financial statements

Statement of cash flows

For the year ended 31 December 2022

	Note (s)	Year ended 31-Dec-2022 EUR	Year ended 31-Dec-2021 EUR
Cash flows from / (used in) operating activities			
Profit on ordinary activities before taxation		141,807	187,749
Adjustments for:			
Realised gain on settlement of derivatives		(47,227,880)	(49,210,611)
Realised loss on settlement of derivatives		145,745,243	81,401,443
Realised gain on investment securities	15	(69,001,061)	(33,345,478)
Fair value (gain) / loss on investment securities	15	505,886,966	80,671,793
Unrealised exchange loss / (gain) on revaluation of investment securities	15	(18,268,201)	(25,992,355)
Realised gain / (loss) on debt securities issued	16	(24,027,025)	4,401,304
Fair value gain on debt securities	16	(383,505,808)	(94,137,936)
Unrealised exchange (loss) / gain on revaluation of debt securities issued	16	12,494,283	16,153,427
Unrealised gain on revaluation of derivatives		(258,770,821)	(98,175,471)
Unrealised loss on revaluation of derivatives		136,389,663	111,641,614
Interest income		(56,373,477)	(47,787,240)
Interest expense		56,658,118	54,379,510
		-	-
Changes in:			
Net movement in other assets and liabilities		(17,878)	(59,719)
Net cash flows generated from operating activities		123,929	128,030
Cash flows from / (used in) investing activities			
Acquisition of investment securities		(461,078,015)	(247,029,321)
Proceeds from maturity / disposal of investment securities		279,414,756	271,173,700
Interest received on investment securities		54,979,177	51,901,732
Receipts in respect of derivatives held for risk management purposes		926,042,326	640,948,559
Payments in respect of derivatives held for risk management purposes		(776,012,925)	(540,165,346)
Net cash flows generated from investing activities		23,345,319	176,829,324
Cash flows from / (used in) financing activities			
Dividend paid		(143,745)	(105,905)
Proceeds from issuance of debt securities		441,618,992	217,089,914
Payments on maturity / redemption of debt securities		(409,872,394)	(340,462,309)
Interest paid on debt securities issued		(55,091,916)	(53,456,930)
Net cash flows used in financing activities		(23,489,063)	(176,935,230)
Net increase in cash and cash equivalents		(19,815)	22,124
Cash and cash equivalents at beginning of year		348,522	326,398
Cash and cash equivalents at end of year		328,707	348,522

The notes on pages 12 to 33 form an integral part of these financial statements

Statement of changes in equity
For the year ended 31 December 2022

	Share capital EUR	Retained earnings EUR	Profit for the year EUR	Total EUR
Balance at 31 December 2020	18,000	65	105,840	123,905
Appropriation of profit		105,840	(105,840)	-
Profit for the year	-	-	143,475	143,475
Dividend paid during the year	-	(105,905)	-	(105,905)
Balance at 31 December 2021	18,000	-	143,475	161,475
Appropriation of profit		143,475	(143,475)	-
Profit for the year	-	-	144,384	144,384
Dividend paid during the year	-	(143,745)	-	(143,745)
Balance at 31 December 2022	18,000	(270)	144,384	162,114

Proposed appropriation of result for the 2022 financial year

The net result for the financial year is a profit amounting to EUR 144,384. No decision has been made about the purpose of the result. The appropriation of the result will be proposed by the board of directors to the General Meeting which will be held after the adoption of the financial statements.

The notes on pages 12 to 33 form an integral part of these financial statements

Notes to the financial statements

For the year ended 31 December 2022

1 General information

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 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, 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 change 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.

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

The Investment Securities mainly consist of corporate and government bonds.

The Company has no direct employees. The financial statements were authorised for issue by the Board of Directors on 22 September 2023.

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 2022 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 International Financial Reporting 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.

Minor changes to IFRS Standards (IAS 37 Provisions - Onerous contracts, IAS 16 Property, Plant and Equipment and IFRS 3 Business Combinations) and Annual Improvements to IFRS 2018 - 2020 (IFRS 1 - First application of IFRS, IFRS 9 Financial Instruments, IAS 41 Agriculture and modifications to the illustrative examples of IFRS 16 - Leases) The amendments have had no impact on the Company's financial statements.

2.2 New and revised IFRS in issue but not yet effective

The following new International Financial Reporting Standards and Interpretations or amendments had been published at the date of preparation of the financial statements, but are not mandatory as of December 31st, 2022. Although in some cases the IASB allows early adoption before their effective date, the Company has not proceeded with this option for any such new standards. No impact is expected on the Company's financial statements:

Notes to the financial statements (continued)

For the year ended 31 December 2022

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

IFRS 17	Insurance contracts (applicable to annual reporting periods beginning on or after 1st January, 2023. Endorsed for use in the EU, albeit with an optional exemption from applying the annual cohort requirement).
Amendments to IAS 1	"Presentation of financial statements" (effective for annual reporting periods beginning on or after 1st January, 2023) and not yet endorsed for use in the EU, and IAS 8 - "Accounting policies, changes in accounting estimates and errors" (effective for annual reporting periods beginning on or after 1st January, 2023) and not yet endorsed for use in the EU.
Amendments to IAS 12	"Income taxes", endorsed for use in EU.
Amendments to IFRS 16	"Leases", not yet endorsed for use in the EU.

(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 through profit or loss;
- Investment securities measured at fair value through profit or loss are measured at fair value; and
- Debt securities issued are measured at fair value through profit and loss.

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.

Measurement 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.

Notes to the financial statements (continued)

For the year ended 31 December 2022

3 Significant accounting policies (continued)

Financial instruments

The financial instruments of the Company include the following:

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

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

Investment securities are classified and initially measured at fair value through profit or loss. The investment securities held by the Company have been designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. The investment securities are closely linked to the financial liabilities and the derivatives and therefore, as the derivatives are required to be at fair value through profit or loss investment securities have been designated at fair value to eliminate this accounting mismatch. Subsequent changes in the fair value of investment securities designated at fair value through profit or loss are recognised directly in the Statement of comprehensive income.

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 when they either eliminate or significantly reduce an accounting mismatch.

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 2022

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.

Notes to the financial statements (continued)

For the year ended 31 December 2022

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.

Share capital

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

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 from financial assets designated at fair value through profit or loss is recognised on an accrual basis in the Statement of comprehensive income.

Interest expense

Interest expense from debt securities designated at fair value through profit or loss is recognised on an accrual basis in the Statement of comprehensive income.

Net gain / (loss) from investment securities

Net income / (loss) from investment securities designated at fair value through profit or loss relates to investments in 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 2022****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. The two members of the audit committee are considered related parties. The Company has intercompany loans with Boiro Finance B.V. and CID Finance B.V.

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 2022, no impairment loss was recognised.

Other income and expenses

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

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 investment securities 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.

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 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.

Notes to the financial statements (continued)

For the year ended 31 December 2022

4 Financial risk management (continued)

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

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. As at 31 December 2022, the Company's maximum credit exposure is equal to EUR 2,232,717,327 (2021: 2,601,669,285).

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. Concentration risk is disclosed in Note 22.

The risk of default on these assets is borne by the counterparty of the Asset Swap 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.

(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, respectively.

Notes to the financial statements (continued)
For the year ended 31 December 2022

5 Investment securities	31-Dec-2022 EUR	31-Dec-2021 EUR
<i>Nominal amount:</i>		
Opening balance as at 1 January	1,773,274,032	1,781,222,427
Additions during the year	709,809,127	203,887,472
Disposals during the year	(210,413,695)	(237,828,222)
Foreign currency movement	18,268,201	25,992,355
Closing balance as at 31 December	<u>2,290,937,665</u>	<u>1,773,274,032</u>
	31-Dec-2022 EUR	31-Dec-2021 EUR
<i>Movement in fair value:</i>		
Opening balance as at 1 January	411,215,664	450,883,308
Net (discount)/ premium on additions during the year	(249,663,220)	41,004,149
Disposals during the year	(69,001,061)	(33,345,478)
Net movement during the year	(436,885,905)	(47,326,315)
Closing balance as at 31 December	<u>(344,334,522)</u>	<u>411,215,664</u>
Closing fair value as at 31 December	<u>1,946,603,143</u>	<u>2,184,489,696</u>

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.

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 to eliminate or significantly reduce an "accounting asymmetries".

	Nominal value 31-Dec-2022 EUR	Carrying value 31-Dec-2022 EUR	Nominal value 31-Dec-2021 EUR	Carrying value 31-Dec-2021 EUR
<i>Maturity analysis of investment securities is as follows:</i>				
Less than one year	88,745,616	89,910,397	37,953,200	38,495,539
Between one and five years	678,267,378	693,303,454	487,999,026	548,447,607
More than five years	1,523,924,671	1,163,389,292	1,247,321,806	1,597,546,550
	<u>2,290,937,665</u>	<u>1,946,603,143</u>	<u>1,773,274,032</u>	<u>2,184,489,696</u>

Notes to the financial statements (continued)

For the year ended 31 December 2022

6 Derivative held for risk management purposes

	Notional Amount 31-Dec-2022 EUR	Carrying Value 31-Dec-2022 EUR	Notional Amount 31-Dec-2021 EUR	Carrying Value 31-Dec-2021 EUR
Derivative assets held for risk management purposes	521,382,323	266,745,838	576,831,759	400,271,895
Derivative liabilities held for risk management purposes	1,481,768,807	(533,287,961)	1,405,642,350	(548,575,222)
		<u>(266,542,123)</u>		<u>(148,303,327)</u>

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.

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.

As at 31 December 2022, the Company had the following asset swaps:

- Currency swap amounting to EUR 11,953,341 (2021: EUR -246,210,256)
- Interest rate swap amounting to EUR - 311,123,865 (2021: EUR -215,691,541)

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.

As at 31 December 2022, the Company had the following derivative instruments:

- Credit default swap amounting to EUR 11,446,500 (2021: EUR 6,649,389)
- Equity option amounting to EUR 9,180,544 (2021: EUR 8,027,774)
- Interest rate option amounting to EUR 12,167,533 (2021: EUR 46,952,739)
- Foreign exchange option amounting to EUR -166,176 (2021: EUR Nil)

7 Cash and cash equivalents

	31-Dec-2022 EUR	31-Dec-2021 EUR
Cash at bank	<u>328,708</u>	<u>348,523</u>

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

Notes to the financial statements (continued)
For the year ended 31 December 2022

8 Other assets	31-Dec-2022 EUR	31-Dec-2021 EUR
Interest income receivable from investment securities	18,665,717	16,339,309
Tax advance	31,613	31,494
Other receivables	338,859	184,919
Loan to Boiro Finance B.V.	3,449	3,449
	<u>19,039,638</u>	<u>16,559,171</u>

The advances to Boiro Finance B.V. are unsecured, interest free and repayable on demand.

9 Share capital	31-Dec-2022 EUR	31-Dec-2021 EUR
Authorised, issued and fully paid 180 ordinary shares of EUR 100 each	<u>18,000</u>	<u>18,000</u>

At 31 December 2022, 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 2022, the Company paid a dividend of EUR 105,905 (being a dividend per share of EUR 588) (2021: EUR 105,905 (being a dividend per share of EUR 588)) to Stichting Douro Finance.

10 Debt securities issued	31-Dec-2022 EUR	31-Dec-2021 EUR
<i>Nominal amount:</i>		
Opening balance as at 1 January	2,102,235,639	2,204,983,802
Additions during the year	449,545,802	217,159,414
Disposals / principal repayments during the year	(433,899,420)	(336,061,004)
Foreign currency movement	12,494,283	16,153,427
Closing balance as at 31 December	<u>2,130,376,304</u>	<u>2,102,235,639</u>
<i>Movement in fair value:</i>		
Opening balance as at 1 January	(60,470,472)	33,667,464
Disposals during the year	(24,027,025)	4,401,304
Movement during the year	(359,478,783)	(98,539,240)
Closing balance as at 31 December	<u>(443,976,280)</u>	<u>(60,470,472)</u>
Closing fair value as at 31 December	<u>1,686,400,024</u>	<u>2,041,765,167</u>

	Nominal value 31-Dec-2022 EUR	Carrying value 31-Dec-2022 EUR	Nominal value 31-Dec-2021 EUR	Carrying value 31-Dec-2021 EUR
<i>Maturity analysis of debt securities issued is as follows :</i>				
Less than one year	211,096,931	203,381,689	288,157,850	307,218,652
Between one and five years	815,155,321	676,376,176	647,750,181	616,401,550
More than five years	1,104,124,052	806,642,159	1,166,327,608	1,118,144,965
	<u>2,130,376,304</u>	<u>1,686,400,024</u>	<u>2,102,235,639</u>	<u>2,041,765,167</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.

The outstanding notional amount of the financial liabilities designated at fair value through profit or loss as at 31 December 2022 was EUR 2,130,376,304 (2021: EUR 2,102,235,639).

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.

Notes to the financial statements (continued)
For the year ended 31 December 2022

11 Other liabilities	31-Dec-2022 EUR	31-Dec-2021 EUR
Interest payable on debt securities issued	12,326,709	10,760,508
Accruals	470,039	316,707
Interest free loan from CID Finance B.V.	45,000	45,000
	<u>12,841,748</u>	<u>11,122,215</u>
The loan from CID Finance B.V. is unsecured, interest free and is repayable on demand.		
12 Taxation	Profit for the year ended EUR	Tax for the year ended EUR
Tax on profit on ordinary activities for 2021	168,794	25,319
Tax on profit on ordinary activities for 2022	169,863	25,479
If the taxable amount is EUR 395,000 or less, the corporate income tax rate is 15%. If the taxable amount is more than EUR 395,000, the corporate income tax rate is EUR 59,250 plus 25,8% for the taxable amount exceeding EUR 395,000 (2021: 15% on the first EUR 245,000 and 25% above EUR 245,000).		
There are no differences between the effective and applicable tax rate.		
13 Interest income	Year ended 31-Dec-2022 EUR	Year ended 31-Dec-2021 EUR
Interest on investment securities	<u>56,373,477</u>	<u>47,787,240</u>
	<u>56,373,477</u>	<u>47,787,240</u>
14 Interest expense	Year ended 31-Dec-2022 EUR	Year ended 31-Dec-2021 EUR
Interest on debt securities	<u>56,658,118</u>	<u>54,379,510</u>
	<u>56,658,118</u>	<u>54,379,510</u>
15 Net loss from investment securities	Year ended 31-Dec-2022 EUR	Year ended 31-Dec-2021 EUR
<i>Designated as at fair value through profit or loss</i>		
Net changes in fair value during the year	(505,886,966)	(80,671,793)
Realised net gain on investment securities	69,001,061	33,345,478
Unrealised exchange (loss) / gain on revaluation of investment securities	<u>18,268,201</u>	<u>25,992,355</u>
	<u>(418,617,704)</u>	<u>(21,333,960)</u>
16 Net gain on debt securities issued	Year ended 31-Dec-2022 EUR	Year ended 31-Dec-2021 EUR
<i>Designated as at fair value through profit or loss</i>		
Net changes in fair value during the year	383,505,808	94,137,936
Realised loss on debt securities issued	24,027,025	(4,401,304)
Unrealised exchange loss / (gain) on revaluation of debt securities issued	<u>(12,494,283)</u>	<u>(16,153,427)</u>
	<u>395,038,550</u>	<u>73,583,205</u>
17 Other income	Year ended 31-Dec-2022 EUR	Year ended 31-Dec-2021 EUR
Arranger income	<u>427,218</u>	<u>462,362</u>
18 Other expenses	Year ended 31-Dec-2022 EUR	Year ended 31-Dec-2021 EUR
Audit fees *	146,076	164,770
Administration fees	119,921	89,421
Audit committee fees	12,100	12,100
Tax advisory fees	3,848	4,681
Bank charges	3,426	3,546
Filing fees	<u>40</u>	<u>95</u>
	<u>285,411</u>	<u>274,613</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.

Notes to the financial statements (continued)

For the year ended 31 December 2022

18 Other expenses (continued)

* 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 2021 financial statements. There were no other services provided by the auditors (EY and KPMG) other than the audit in 2022 and 2021, respectively.

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

	Ernst & Young Accountants N.V.	Other Ernst & Young Network Firms	Total Ernst & Young Network Firms	KPMG Accountants N.V.	Other KPMG Network Firms	Total KPMG Network Firms
	Year ended 31-Dec-2022 EUR	Year ended 31-Dec-2022 EUR	Year ended 31-Dec-2022 EUR	Year ended 31-Dec-2021 EUR	Year ended 31-Dec-2021 EUR	Year ended 31-Dec-2021 EUR
Current year audit fees	136,125	-	136,125	47,330	51,270	98,600

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 143,745, i.e. EUR 799 per share (2021 : EUR 105,905 i.e. EUR 588 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.

The Company paid EUR 12,100 for the remuneration of the members of the audit committee.

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

Investment securities
Derivative assets held for risk management purposes
Notes Receivable
Cash and cash equivalents
Other assets

Categories of financial assets

Fair value through profit or loss
Fair value through profit or loss
Fair value through profit or loss
Loan and receivables
Loan and receivables

Liabilities

Debt securities issued
Derivatives liabilities held for risk management purposes
Bank overdraft
Other liabilities

Categories of financial liabilities

Fair value through profit or loss
Fair value through profit or loss
Amortised cost
Amortised cost

	Carrying value 31-Dec-2022 EUR	Nominal value 31-Dec-2022 EUR	Carrying value 31-Dec-2021 EUR	Nominal value 31-Dec-2021 EUR
Assets				
Investment securities	1,946,603,143	2,290,937,665	2,184,489,696	1,773,274,032
Derivative assets held for risk management purposes	266,745,838	521,382,323*	400,271,895	576,831,759*
Cash and cash equivalents	328,708	328,708	348,523	348,523
Other assets	19,039,638	19,039,638	16,559,171	16,559,171
	<u>2,232,717,327</u>	<u>2,831,688,334</u>	<u>2,601,669,285</u>	<u>2,377,773,993</u>

* The nominal amount of the derivatives represents the notional value.

	Carrying value 31-Dec-2022 EUR	Nominal value 31-Dec-2022 EUR	Carrying value 31-Dec-2021 EUR	Nominal value 31-Dec-2021 EUR
Liabilities				
Debt securities issued	1,686,400,024	2,130,376,304	2,041,765,167	2,102,235,639
Derivatives liabilities held for risk management purposes	533,287,961	1,481,768,807*	548,575,222	1,405,642,350*
Bank overdraft	1	1	1	1
Other liabilities	12,841,748	12,841,748	11,122,215	11,122,215
	<u>2,232,529,734</u>	<u>3,624,986,860</u>	<u>2,601,462,605</u>	<u>3,535,339,514</u>

* The nominal amount of the derivatives represents the notional value.

Notes to the financial statements (continued)

For the year ended 31 December 2022

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:

	31-Dec-2022 EUR	31-Dec-2021 EUR
Assets		
Investment securities	1,946,603,143	2,184,489,696
Derivative assets held for risk management purposes	266,745,838	400,271,895
Cash and cash equivalents	328,708	348,523
Other assets	19,039,638	16,559,171
	<u>2,232,717,327</u>	<u>2,601,669,285</u>
	31-Dec-2022 EUR	31-Dec-2021 EUR
Liabilities		
Debt securities issued	1,686,400,024	2,041,765,167
Derivatives liabilities held for risk management purposes	533,287,961	548,575,222
Bank overdraft	1	1
Other liabilities	12,841,748	11,122,215
	<u>2,232,529,734</u>	<u>2,601,462,605</u>

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

Rating	Rating agency	31-Dec-2022	31-Dec-2021
A1	Moody's	0.00%	0.00%
A2	Moody's	0.14%	0.13%
A3	Moody's	6.02%	6.57%
Aa1	Moody's	1.16%	1.16%
Aa2	Moody's	0.50%	0.35%
Aa3	Moody's	0.00%	0.00%
Aaa	Moody's	1.05%	0.88%
Ba1	Moody's	0.00%	0.00%
Baa1	Moody's	18.62%	20.39%
Baa2	Moody's	4.91%	6.38%
Baa3	Moody's	50.96%	55.84%
A	S&P	0.13%	0.12%
AA+	S&P	0.92%	0.00%
AA	S&P	0.00%	0.00%
A-	S&P	5.12%	0.33%
BBB	S&P	0.00%	0.00%
BBB+	S&P	0.59%	0.62%
BBB-	S&P	0.61%	0.60%
A-	Fitch	0.12%	0.17%
BBB-	Fitch	0.00%	0.00%
BBBu	Fitch	0.47%	0.59%
Not rated		8.68%	5.86%
		<u>100.00%</u>	<u>99.99%</u>

Notes to the financial statements (continued)

For the year ended 31 December 2022

22 Financial instruments (continued)

(i) Credit risk (continued)

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.

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-2022	31-Dec-2021
Country of origin:		
Spain	38.58%	36.80%
Italy	47.25%	48.54%
USA	0.23%	0.21%
Germany	3.16%	2.02%
France	2.18%	1.92%
Austria	0.13%	0.11%
Curacao	0.00%	0.03%
Other	8.47%	10.37%
	<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-2022	31-Dec-2021
Industry type:		
Government national	75.74%	74.84%
Other	11.62%	16.36%
Banking	8.83%	4.93%
Special purpose	1.90%	2.16%
Financial	1.91%	1.72%
	<u>100.00%</u>	<u>100.01%</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-2022	31-Dec-2021
Counterparty Concentration:		
Banco Bilbao Vizcaya Argentaria	1.80%	3.74%
Other counterparties	98.20%	96.26%
	<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.

Notes to the financial statements (continued)

For the year ended 31 December 2022

22 Financial instruments (continued)

(ii) Liquidity risk (continued)

The maturity profile of financial assets and liabilities are as follows:

31 December 2022

	Nominal value EUR	Carrying value EUR	Less than one year EUR	Between one and five years EUR	More than five years EUR
Assets					
Investment securities	2,290,937,665	1,946,603,143	89,910,397	693,303,454	1,163,389,292
Derivative assets held for risk management purposes	521,382,323*	266,745,838	91,178,141	156,270,202	19,297,495
Cash and cash equivalents	328,708	328,708	328,708	-	-
Other assets	19,039,638	19,039,638	19,039,638	-	-
	<u>2,831,688,334</u>	<u>2,232,717,327</u>	<u>200,456,884</u>	<u>849,573,656</u>	<u>1,182,686,787</u>

* The nominal amount of the derivatives represents the notional value.

	Nominal value EUR	Carrying value EUR	Less than one year EUR	Between one and five years EUR	More than five years EUR
Liabilities					
Debt securities issued	2,130,376,304	1,686,400,024	203,381,689	676,376,176	806,642,159
Derivative liabilities held for risk management purposes	1,481,768,807*	533,287,961	21,596,148	165,537,220	346,154,593
Bank overdraft	1	1	1	-	-
Other liabilities	12,841,748	12,841,748	12,841,748	-	-
	<u>3,624,986,860</u>	<u>2,232,529,734</u>	<u>237,819,586</u>	<u>841,913,396</u>	<u>1,152,796,752</u>

* The nominal amount of the derivatives represents the notional value.

The maturity profile of financial assets and liabilities as at 31 December 2021 is as follows:

31 December 2021

	Nominal value EUR	Carrying value EUR	Less than one year EUR	Between one and five years EUR	More than five years EUR
Assets					
Investment securities	1,773,274,032	2,184,489,696	38,495,539	548,447,607	1,597,546,550
Deposits	-	-	-	-	-
Derivative assets held for risk management purposes	576,831,759*	400,271,895	206,335,625	169,842,957	24,093,313
Cash and cash equivalents	348,523	348,523	348,523	-	-
Other assets	16,559,171	16,559,171	16,559,171	-	-
	<u>2,377,773,993</u>	<u>2,601,669,285</u>	<u>261,738,858</u>	<u>718,290,564</u>	<u>1,621,639,863</u>

* The nominal amount of the derivatives represents the notional value.

	Nominal value EUR	Carrying value EUR	Less than one year EUR	Between one and five years EUR	More than five years EUR
Liabilities					
Debt securities issued	2,102,235,639	2,041,765,167	307,218,652	616,401,550	1,118,144,965
Derivative liabilities held for risk management purposes	1,405,642,350*	548,575,222	2,279,557	89,475,155	456,820,510
Bank overdraft	1	1	1	-	-
Other liabilities	11,122,215	11,122,215	11,122,215	-	-
	<u>3,535,339,514</u>	<u>2,601,462,605</u>	<u>320,620,425</u>	<u>705,876,705</u>	<u>1,574,965,475</u>

* The nominal amount of the derivatives represents the notional value.

Notes to the financial statements (continued)

For the year ended 31 December 2022

22 Financial instruments (continued)

(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

This is the risk resulting from variations in foreign exchange rates. 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 2022 is as follows:

	<i>In source currency In reporting currency</i>	PEN EUR	GBP EUR	EUR EUR	USD EUR	Total EUR
Investment securities	-	27,029,793	1,575,148,456	344,424,894	1,946,603,143	
Derivative assets held for risk management purposes	616,363	1,290,192	243,054,860	21,784,423	266,745,838	
Cash and cash equivalents	-	-	328,708	-	328,708	
Other assets	-	108,075	16,434,520	2,497,043	19,039,638	
	<u>616,363</u>	<u>28,428,060</u>	<u>1,834,966,544</u>	<u>368,706,360</u>	<u>2,232,717,327</u>	
Derivatives liabilities held for risk management purposes	-	-	(531,853,257)	(1,434,704)	(533,287,961)	
Debt securities issued	(7,652,777)	(1,290,191)	(1,442,488,594)	(234,968,462)	(1,686,400,024)	
Bank overdraft	-	-	(1)	-	(1)	
Other liabilities	(57,804)	-	(12,783,944)	-	(12,841,748)	
	<u>(7,710,581)</u>	<u>(1,290,191)</u>	<u>(1,987,125,796)</u>	<u>(236,403,166)</u>	<u>(2,232,529,734)</u>	
Net position	(7,094,218)	27,137,869	(152,159,252)	132,303,194	187,593	

The following significant exchange rates applied during the year ended 31 December 2022:

	Average Rate	Closing Rate
USD	0.9512	0.9341
GBP	1.1732	1.1295

The Company's exposure to foreign currency risk as at 31 December 2021 is as follows:

	<i>In source currency In reporting currency</i>	GBP EUR	EUR EUR	USD EUR	Total EUR
Investment securities		30,590,465	1,803,408,714	350,490,517	2,184,489,696
Derivative assets held for risk management purposes		1,709,226	385,253,041	13,309,628	400,271,895
Cash and cash equivalents		-	348,523	-	348,523
Other assets		117,734	14,238,105	2,203,332	16,559,171
		<u>32,417,425</u>	<u>2,203,248,383</u>	<u>366,003,477</u>	<u>2,601,669,285</u>
Derivatives liabilities held for risk management purposes		-	(546,293,426)	(2,281,796)	(548,575,222)
Debt securities issued		(1,709,225)	(1,799,454,527)	(240,601,415)	(2,041,765,167)
Bank overdraft		-	(1)	-	(1)
Other liabilities		-	(11,122,215)	-	(11,122,215)
		<u>(1,709,225)</u>	<u>(2,356,870,169)</u>	<u>(242,883,211)</u>	<u>(2,601,462,605)</u>
Net position		<u>30,708,200</u>	<u>(153,621,786)</u>	<u>123,120,266</u>	<u>206,680</u>

The following significant exchange rates applied during the year ended 31 December 2021:

	Average Rate	Closing Rate
USD	0.8458	0.8793
GBP	1.1631	1.1893

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

Notes to the financial statements (continued)

For the year ended 31 December 2022

22 Financial instruments (continued)**(iii) Market risk (continued)***(b) Interest rate risk*

This risk arises as a result of changes in market interest rates. 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. Interest rate changes have no net impact on the statement of comprehensive income account of the Company.

(iv) 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.

(v) Asset-specific performance risk

Asset-specific performance risk is related to the risk that a single asset or a group of assets will perform poorly (or not at all).

The Company is legally isolated so the assets in the entity are ring-fenced solely for the benefit of its investors, even in the event of bankruptcy. Any changes in the fair value of the Investment securities and / or Derivative instruments is reflected in the changes in the fair value of the Debt securities and / or Derivative instruments.

(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.

As of 31 December 2022, the floating interest rate deposits at the Parent Company are related to the Company's debt instruments, the return on which is based on floating interest rates as appropriate.

From BBVA levelling criteria, even if the securities issued are listed, they have no prices from an active market to guarantee its classification as Level 1. The fair value levelling is referred to the implied note and the inputs applied in its valuations.

In the following breakdown, the financial instruments classified as "Fair value (Level 2)" are those, which have been measured with techniques using inputs drawn from observable market data. Referring to the instruments that are included in "Fair value (Level 3)" are those which values are based on models and unobservable inputs.

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 2022 in the below disclosure note have been disclosed at dirty prices.

	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Investment securities	1,602,862,803	220,959,787	141,446,269	1,965,268,859
Derivative assets held for risk management purposes	-	266,745,838	-	266,745,838
Debt securities	-	(1,558,867,459)	(139,859,277)	(1,698,726,736)
Derivative liabilities held for risk management purposes	-	(533,287,961)	-	(533,287,961)
	<u>1,602,862,803</u>	<u>(1,604,449,795)</u>	<u>1,586,992</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.

Notes to the financial statements (continued)

For the year ended 31 December 2022

22 Financial instruments (continued)

(vi) Fair values (continued)

	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Cash and cash equivalents	328,708	-	-	328,708
Other assets	13,021,733	5,643,537	447	18,665,717
Bank overdraft	(1)	-	-	(1)
Other liabilities	-	(12,326,709)	-	(12,326,709)
	<u>13,350,440</u>	<u>(6,683,172)</u>	<u>447</u>	<u>6,667,715</u>

The fair values as at 31 December 2021 in the below disclosure note have been disclosed at dirty prices.

	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Investment securities	1,694,487,468	374,004,842	132,336,695	2,200,829,005
Derivative assets held for risk management purposes	-	400,271,895	-	400,271,895
Debt securities	-	(1,920,188,983)	(132,336,695)	(2,052,525,678)
Derivative liabilities held for risk management purposes	-	(548,575,222)	-	(548,575,222)
	<u>1,694,487,468</u>	<u>(1,694,487,468)</u>	<u>-</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	348,523	-	-	348,523
Other assets	11,981,848	4,357,461	-	16,339,309
Bank overdraft	(1)	-	-	(1)
Other liabilities	-	(10,760,508)	-	(10,760,508)
	<u>12,330,370</u>	<u>(6,403,047)</u>	<u>-</u>	<u>5,927,323</u>

The valuation techniques used in fair value measurement of the Level 2 and Level 3 positions are shown as follows:

ASSETS

Long and short term deposits due from Parent	Valuation technique(s)	Observable inputs	Unobservable inputs
Investment securities	Present-value method (Discounted future cash flows)	- Prepayment rates - Issuer's credit risk - Current market interest rates	- Prepayment rates
Interest rate derivatives	Interest rate products (Interest rate swaps, Call money Swaps and FRA): Discounted cash flows Caps/Floors: Black, Hull-White and SABR Bond options: Black Swaptions: Black, Hull-White and LGM Other Interest rate options: Black, Hull-White and LGM Constant Maturity Swaps: SABR	- Exchange rates - Current market interest rates - Underlying assets prices: shares, funds, etc.	- Beta - Implicit correlations between tenors - Interest rates volatility
Equity derivatives	Equity Options: Local Volatility, Black, Momentum adjustment, Heston Stochvol model.	- Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Volatility of Volatility - Implicit assets correlations - Long term Implicit correlations - Implicit dividends and Long-term repos - Correlation default
Credit derivatives	Credit Derivatives: Default model and Gaussian copula		- Credit spread - Recovery rates - Interest rate yield - Default volatility

Notes to the financial statements (continued)

For the year ended 31 December 2022

22 Financial instruments (continued)

(vi) Fair values (continued)

LIABILITIES

Long and short term debt securities issued	Valuation technique(s)	Observable inputs	Unobservable inputs
Debt securities	Present-value method (Discounted future cash flows)	- Prepayment rates - Issuer's credit risk - Current market interest rates	- Prepayment rates
Interest rate derivatives	Interest rate products (Interest rate swaps, Call money Swaps and FRA): Discounted cash flows Caps/Floors: Black, Hull-White and SABR Bond options: Black Swaptions: Black, Hull-White and LGM Other Interest rate options: Black, Hull-White and LGM Constant Maturity Swaps: SABR	- Exchange rates - Current market interest rates - Underlying assets prices: shares, funds, etc.	- Beta - Implicit correlations between tenors - Interest rates volatility
Equity derivatives	Equity Options: Local Volatility, Black, Momentum adjustment, Heston Stochvol model.	- Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Volatility of Volatility - Implicit assets correlations - Long term Implicit correlations - Implicit dividends and Long-term repos - Correlation default
Credit derivatives	Credit Derivatives: Default model and Gaussian copula		- Credit spread - Recovery rates - Interest rate yield - Default volatility

There has not been any significant changes in the valuation techniques in the current year for any class of assets or liabilities.

Main valuation techniques

The main techniques used for the assessment of the majority of the financial instruments classified in level 3, and its main unobservable inputs, are described below:

- The net present value (net present value method): This technique uses the future cash flows of each financial instrument, which are established in the different contracts, and discounted to their present value. This technique often includes many observable inputs, but may also include unobservable inputs, as described below:

(a) Credit Spread: This input represents the difference in yield of a debt security and the reference rate, reflecting the additional return that a market participant would require to take the credit risk of that debt security. Therefore, the credit spread of the debt security is part of the discount rate used to calculate the present value of the future cash flows.

(b) Recovery rate: This input represents the percentage of principal and interest recovered from a debt instrument that has defaulted.

- Comparable prices (similar asset prices): This input represents the prices of comparable financial instruments and benchmarks used to calculate a reference yield based on relative movements from the entry price or current market levels. Further adjustments to account for differences that may exist between financial instrument being valued and the comparable financial instrument may be added. It can also be assumed that the price of the financial instrument is equivalent to the comparable instrument.

- Net asset value: This technique utilizes certain assumptions to use net asset value as representative of fair value, which is equal to the total value of the assets and liabilities of a fund published by the managing entity.

- Gaussian copula: This model is used to integrate default probabilities of credit instruments referenced to more than one underlying CDS (Credit Default Swaps). The joint density function used to value the instrument is constructed by using a Gaussian copula that relates the marginal densities by a normal distribution, usually extracted from the correlation matrix of events approaching default by CDS issuers.

- Black 76: variant of Black Scholes model, whose main application is the valuation of bond options, cap floors and Swaptions where the behaviour of the Forward and not the Spot itself, is directly modelled.

Notes to the financial statements (continued)

For the year ended 31 December 2022

22 Financial instruments (continued)

(vi) Fair values (continued)

Main valuation techniques (continued)

- Black Scholes: The Black Scholes model postulates log-normal distribution for the prices of securities, so that the expected return under the risk neutral measure is the risk free interest rate. Under this assumption, the price of vanilla options can be obtained analytically, so that inverting the Black- Scholes formula, the implied volatility for process of the price can be calculated.

- Heston: This model, typically applied to equity OTC options, assumes stochastic behaviour of volatility. According to which, the volatility follows a process that reverts to a long-term level and is correlated with the underlying equity instrument. As opposed to local volatility models, in which the volatility evolves deterministically, the Heston model is more flexible, allowing it to be similar to that observed in the short term today.

- Libor market model: This model assumes that the dynamics of the interest rate curve can be modelled based on the set of forward contracts that compose the underlying interest rate. The correlation matrix is parameterized on the assumption that the correlation between any two forward contracts decreases at a constant rate, beta, to the extent of the difference in their respective due dates. The input "Credit default volatility" is a volatility input of the credit factor dynamic applied in rate/credit hybrid operative. The multifactorial frame of this model makes it ideal for the valuation of instruments sensitive to the slope or curve, including interest rate option.

- Local Volatility: In the local volatility models, the volatility, instead of being static, evolves deterministically over time according to the level of moneyness (i.e. probability that the option has a positive value on its date of expiration) of the underlying, capturing the existence of volatility smiles. The volatility smile of an option is the empirical relationship observed between its implied volatility and its strike price. These models are appropriate for options whose value depends on the historical evolution of the underlying which use Monte Carlo simulation technique for their valuation.

Unobservable inputs

Quantitative information of unobservable inputs used to calculate level 3 valuations is presented below as of 31 December 2022 and 2021:

Unobservable inputs, December 2022

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Debt Securities	Present value method	Credit spread	0	111	1,538	bp
		Recovery rate	0%	39%	40%	%
	Comparable Pricing		2%	94%	139%	%
Loans and advances	Present value method					
Credit Derivatives	Gaussian Copula	Correlation default	26%	44%	58%	%
	Black 76	Price volatility	0	0	0	Vegas
Equity Derivatives	Option models on equities, baskets of equity, funds	Dividends (1)				
		Correlations	(93 %)	59%	99%	%
		Volatility	7.81	32.62	98.71	Vegas
FX Derivatives	Option models on FX underlyings	Volatility	5.32	11.93	20.73	Vegas
IR Derivatives	Option models on IR underlyings	Beta	0.25%	2%	18%	%
		Correlation rate/credit	(100 %)		100%	%
		Correlation rate/inflation	51%	66%	76%	%

(1) The range of unobservable dividends is too wide range to be relevant.

Notes to the financial statements (continued)

For the year ended 31 December 2022

22 Financial instruments (continued)

(vi) Fair values (continued)

Unobservable inputs (continued)

Unobservable inputs, December 2021

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Debt Securities	Present value method	Credit spread	3	125	2,374	bp
		Recovery rate	0%	37%	40%	%
	Comparable Pricing		0.1%	97%	144%	%
Loans and advances	Present value method					
Credit Derivatives	Gaussian	Correlation default	35%	43%	53%	%
	Copula					
	Black 76	Price volatility	-	-	-	Vegas
Equity Derivatives	Option models on equities, baskets of equity, funds	Dividends (1)				
		Correlations	(88%)	60%	99%	%
		Volatility	5.57	26.30	62.00	Vegas
FX Derivatives	Option models on FX underlyings	Volatility	3.96	9.71	16.34	Vegas
IR Derivatives	Option models on IR underlyings	Beta	0.25%	2%	18%	%
		Correlation rate/credit	(100%)		100%	%
		Credit default volatility	-	-	-	Vegas

(1) The range of unobservable dividends is too wide range to be relevant.

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 2022

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	66,708,412	(1,474,738)	1,474,738	(68,295,403)	1,586,992	-
Derivative assets held for risk management purposes	-	-	8,944,150	-	-	(8,944,150)
Derivative liabilities held for risk management purposes	-	-	-	-	-	-
Debt securities	-	-	8,944,150	-	-	(8,944,150)

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
31-Dec-2022						
Investment securities	132,336,695	-	-	7,522,582	1,586,992	141,446,269
Derivative assets held for risk management purposes	-	-	-	-	-	-
Derivative liabilities held for risk management purposes	-	-	-	-	-	-
Debt securities	(132,336,695)	-	-	(7,522,582)	-	(139,859,277)
31-Dec-2021						
Investment securities	135,859,632	-	(4,601,010)	2,587,884	(1,509,811)	132,336,695
Derivative assets held for risk management purposes	954,711	2	-	(2,663,938)	1,709,225	-
Derivative liabilities held for risk management purposes	-	-	-	-	-	-
Debt securities	(169,636,406)	-	33,639,400	5,369,536	(1,709,225)	(132,336,695)

Sensitivity analysis is performed on financial instruments with significant unobservable inputs (financial instruments included in Level 3), in order to obtain a reasonable range of possible alternative valuations. This analysis is carried out based on the prudent valuation criterias of the Capital Requirements Regulation, taking into account the nature of the methods used for the assessment and the reliability and availability of inputs and proxies used. In order to establish, with a sufficient degree of certainty, the valuation risk that is incurred in such assets without applying diversification criteria between them.

As of 31 December 2022, the effect on profit for the year of changing the main unobservable inputs used for the measurement of Level 3 financial instruments for other reasonably possible unobservable inputs, taking the highest (most favourable input) or lowest (least favourable input) value of the range deemed probable, would be as follows:

	Potential impact on Income Statement	
	Most favourable hypothesis (in millions of Euros)	Least favourable hypothesis (in millions of Euros)
ASSETS		
Investment securities	0.18	(0.18)
LIABILITIES		
Debt securities	-	-

Notes to the financial statements (continued)

For the year ended 31 December 2022

22 Financial instruments (continued)

(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 2023 (including the auditors' limited review report thereon).
(https://shareholdersandinvestors.bbva.com/wp-content/uploads/2023/04/27042023InformeResultados1Q23_ENG.pdf).
- (b) The English translations of the audited consolidated annual financial statements of BBVA for the financial year ended on 31 December 2022 (which includes for comparison purposes financial data for the years ended on 31 December 2022 and 2021) and the audit report issued in respect thereof, prepared in accordance with EU-IFRS, which are available on BBVA's website (<https://accionistasinversores.bbva.com/microsites/cuentasanuales2022/en/index.html>) 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).

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 2023-700 EUR 45,000,000 Secured Limited Recourse Variable Interest Amount and Index-Linked Securities due 2028 (the "Securities")
Series 2023-705 EUR 5,400,000 Index Linked Secured Limited Recourse Securities due 2026 (the "Securities")
Series 2023-707 EUR 90,000,000 Secured Limited Recourse Variable Rate Securities due 2035 (the "Securities")
Series 2023-708 EUR 13,700,000 Secured Limited Recourse Variable Interest Amount and Index-Linked Securities due 2028 (the "Securities")
Series 2023-709 EUR 4,000,000 Secured Limited Recourse Fixed Rate Securities due 2035 (the "Securities")
Series 2023-710 EUR 40,000,000 Secured Limited Recourse Floating Rate Securities due 2033 (the "Securities")
Series 2023-711 EUR 8,750,000 Secured Limited Recourse Credit Linked Securities due 2028 (the "Securities")
Series 2023-712 EUR 9,350,000 Index Linked Secured Limited Recourse Securities due 2028 (the "Securities")
Series 2023-713 EUR 4,050,000 Index Linked Secured Limited Recourse Securities due 2028 (the "Securities")
Series 2023-714 EUR 35,000,000 Secured Limited Recourse Fixed Rate Securities due 2028 (the "Securities")
Series 2023-715 EUR 1,350,000 Index Linked Secured Limited Recourse Securities due 2025 (the "Securities")
Series 2023-716 EUR 2,000,000 Index Linked Secured Limited Recourse Securities due 2026 (the "Securities")
Series 2023-717 EUR 10,100,000 Secured Limited Recourse Index Linked Securities due 2032 (the "Securities")
Series 2023-719 EUR 1,700,000 Index Linked Secured Limited Recourse Securities due 2028 (the "Securities")
Series 2023-721 EUR 2,000,000 Index Linked Secured Limited Recourse Securities due 2028 (the "Securities")
Series 2023-722 EUR 5,650,000 Index Linked Secured Limited Recourse Securities due 2028 (the "Securities")

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

Series 2018-488 EUR 5,900,000 Secured Limited Recourse Index Linked Securities due 2023
Series 2018-492 EUR 10,350,000 Secured Limited Recourse Index Linked Securities due 2023
Series 2018-494 EUR 5,000,000 Secured Limited Recourse Credit-Linked Securities due 2023
Series 2018-497 GBP 1,450,000 Secured Limited Recourse Equity Linked Securities due 2023
Series 2018-498 EUR 2,000,000 Secured Limited Recourse Equity Linked Securities due 2023
Series 2018-500 EUR 2,000,000 Secured Limited Recourse Index Linked Securities due 2023
Series 2020-608 EUR 1,100,000 Secured Limited Recourse Equity Linked Securities due 2025
Series 2020-612 EUR 23,520,000 Secured Limited Recourse Fixed Rate Securities due 2023
Series 2020-614 EUR 6,100,000 Secured Limited Recourse Index Linked Securities due 2023
Series 2022-674 EUR 5,350,000 Index Linked Secured Limited Recourse Securities due 2027
Series 2022-675 EUR 5,200,000 Index Linked Secured Limited Recourse Securities due 2027
Series 2022-678 EUR 3,100,000 Index Linked Secured Limited Recourse Securities due 2025

On behalf of the Board of Directors

Vistra Capital Markets (Netherlands) N.V.

Date: 22 September 2023

Other information

For the year ended 31 December 2022

Statutory rules concerning the appropriation of results

The appropriation of profit is governed by Article 25 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.

Result appropriation according to the articles of association

Article 17 of the articles of association stipulates the following with regard to the appropriation of the result:

17.1 The authority to decide over the allocation of profits determined by the adoption of the annual accounts and to make distributions is vested in the General Meeting, with due observance of the limitations prescribed by law.

17.2 The authority to the General Meeting to make distributions applies to both distributions at the expense of non-appropriated profits and distributions at the expense of any reserves, and to both distributions on the occasion of the adoption of the annual accounts and interim distributions.

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)