Servicios Financieros Carrefour E.F.C., S.A.

Financial Statements and Directors' Report for the year ended 31 December 2023, with the independent auditor's report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 1 and 29). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Servicios Financieros Carrefour E.F.C., S.A.,

Report on the Financial Statements

Opinion

We have audited the financial statements of Servicios Financieros Carrefour E.F.C., S.A. (the Company), which comprise the balance sheet as at 31 December 2023, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2023, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 1.2 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimation of impairment losses due to credit risk on financial assets at amortised cost - Loans and advances to customers	
Description	**Procedures applied in the audit**
As indicated in Notes 7 and 18 to the accompanying financial statements as at 31 December 2023, the credit risk of the financial assets at amortised cost - loans and advances to customers constitutes one of the most significant risks in the Company's business activity. Note 2.1.9. to the aforementioned financial statements indicates that the Company estimates the impairment losses due to credit risk, on the loans and advances to customers classified under "Financial Assets at Amortised Cost" in the accompanying balance sheet as at 31 December 2023, collectively on the basis of the accounting classification (staging) of customers or transactions, and of the internal model designed by the Company. This estimation is based mainly on internal models designed by the Company on the basis of expected credit loss methodologies in accordance with the applicable accounting regulations, which involves a high level of judgement and complexity, as well as technical difficulty, since, among other factors, the estimation takes into consideration: (1) the correct accounting classification of transactions (staging); (2) the use of significant assumptions; and (3) the performance of complex calculations.	In order to address this matter, our audit procedures, involving the assistance of our specialists in information technology systems and credit risk modelling and assessment, included, among others, the following substantive procedures: (i) evaluation of the calculation methodology used in the internal models for impairment losses due to credit risk on loans and advances to customers, verifying the appropriateness of the main criteria adopted, and the alignment thereof with the applicable regulations; (ii) review of the relevant applications supporting the calculation engines for the estimation of impairment losses and the transfer of information to the relevant accounting applications; (iii) verification of the consistency of the portfolio of loans and advances to customers at amortised cost with the Company's accounting records, and substantive audit procedures aimed at verifying, on a selective basis, the accuracy of the information used as a basis for the aforementioned estimation; (iv) evaluation of the reasonableness of the accounting classification criteria for customer and transaction risk and the correct application thereof in accordance with Bank of Spain Circular 4/2019, of 26 November, to credit finance establishments, on public and confidential financial reporting rules and financial statement formats; (v) evaluation of the

Estimation of impairment losses due to credit risk on financial assets at amortised cost - Loans and advances to customers	
Description	**Procedures applied in the audit**
In this connection, the assessment by the Company's management and directors of the impairment losses due to credit risk on loans and advances to customers at amortised cost is a key matter in our audit because of its importance to the Company's activities and because the assessment is a complex process that requires estimates to be made that involve a significant level of judgements and assumptions.	reasonableness of the most significant credit risk parameters employed in the internal models used by the Company; (vi) replication of the calculation of certain critical variables for determining the collective estimates of impairment losses due to credit risk and recalculation of the collective estimates of impairment losses; and (vii) review of the backtesting exercise performed by the Company. Lastly, we evaluated whether the disclosures included in the notes to the accompanying financial statements in connection with this matter were in conformity with the requirements of the applicable accounting regulations.

Measurement of the provision for usury	
Description	**Procedures applied in the audit**
As indicated in Note 11 to the accompanying financial statements, the Company analysed Spanish Supreme Court judgment 149/2020, of 4 March, Appeal (CAS) 4813/2019, in reference to the normal interest on money that is to be used to determine whether or not the remunerative interest on revolving credit is usurious, and it monitored, on a recurring basis, the evolution of the claims lodged by customers against the Company in this connection. In this scenario, management developed a methodology for estimating the risk of future losses relating to customers who could potentially file a claim, which was updated in 2023 and involves a complex process requiring the application of a significant degree of judgement and the use of key assumptions in relation to the claims that will be received in the coming years and the economic impacts resulting from the judgments and claims based on historical data. This methodology resulted in the recognition of a provision for usury amounting to EUR 50,852 thousand under "Provisions" in the balance sheet as at 31 December 2023 in the accompanying financial statements. In this connection, the estimation by the Company's management and directors of the aforementioned provision for usury is a key matter in our audit, both because of its importance to the Company's results and because it is a complex process that requires estimates to be made that involve a significant level of judgements and assumptions.	Our audit procedures to address this matter included, among others, the following substantive procedures: (i) evaluation of the calculation methodology used as the basis for estimating the aforementioned provision, verifying the appropriateness of the main criteria adopted, and the alignment thereof with the applicable regulations; (ii) substantive audit procedures aimed at verifying, on a selective basis, the completeness and accuracy of the information used as a basis for the aforementioned estimation; (iii) recalculation of the main arithmetic formulas used by the Company to determine the estimation; (iv) obtainment of confirmation by the Company's legal advisers of the related claims received to date, verifying, inter alia, the completeness and accuracy of those claims in the estimation performed by the Company; and (v) review of the exercise conducted by the Company on the predictive capacity of the model. Lastly, we evaluated whether the disclosures included in the notes to the accompanying financial statements in connection with this matter were in conformity with the requirements of the applicable accounting regulations.

Other Information: Directors' Report

The other information comprises only the directors' report for 2023, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the directors' report, in accordance with the applicable audit regulations, consists of evaluating and reporting on whether the directors' report is consistent with the financial statements, based on our knowledge of the entity obtained in the audit of those financial statements, as well as evaluating and reporting on whether the content and presentation of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in the preceding paragraph, the information in the directors' report is consistent with that contained in the financial statements for 2023 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Joint Audit and Risk Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The joint audit and risk committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

A further description of our responsibilities for the audit of the financial statements is included in Appendix I to this auditor's report. This description, which is on pages 7 and 8, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Joint Audit and Risk Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's joint audit and risk committee dated 6 May 2024.

Engagement Period

The Extraordinary General Meeting held on 28 May 2021 appointed us as auditors for a period of three years from the year ended 31 December 2020.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Ignacio Gutiérrez
Registered in ROAC under no. 21412

6 May 2024

Appendix I to our auditor’s report

Further to the information contained in our auditor’s report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor’s Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

We communicate with the entity’s joint audit and risk committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's joint audit and risk committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's joint audit and risk committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Servicios Financieros Carrefour, Establecimiento Financiero de Crédito, S.A.

Financial Statements and Directors' Report
for the year ended
31 December 2023

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 1 and 29). In the event of a discrepancy, the Spanish-language version prevails.

Contents

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 1 and 29). In the event of a discrepancy, the Spanish-language version prevails.

Servicios Financieros Carrefour E.F.C., S.A.

Balance sheet as at 31 December 2023
(Figures expressed in thousands of euros)

ASSETS	31/12/23	31/12/22 (*)
Cash, cash balances at central banks and other demand deposits: (Note 6)	**21,167**	**27,316**
Cash	--	--
Cash balances at central banks	--	--
Other demand deposits	21,167	27,316
Financial assets held for trading	--	--
Derivatives	--	--
Equity instruments	--	--
Debt securities	--	--
Loans and advances	--	--
Non-trading financial assets mandatorily at fair value through profit or loss	--	--
Financial assets designated at fair value through profit or loss	--	--
Financial assets at fair value through other comprehensive income: (Note 5)	**1,250**	**1,033**
Equity instruments	1,250	1,033
Debt securities	--	--
Loans and advances	--	--
Financial assets at amortised cost: (Note 7)	**1,948,794**	**2,151,403**
Debt securities	--	--
Loans and advances		
Credit institutions	69,043	55,446
Customers	1,879,751	2,095,957
Derivatives - hedge accounting (Note 12)	**14,395**	**33,268**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	--	--
Investments in joint ventures and associates	**195**	**195**
Subsidiaries	--	--
Joint ventures	--	--
Associates	195	195
Tangible assets: (Note 8)	**68**	**106**
Property, plant and equipment - For own use	68	106
Investment property	--	--
Of which: leased out under an operating lease	--	--
Intangible assets: (Note 9)	**24,706**	**23,308**
Goodwill	--	--
Other intangible assets	24,706	23,308
Tax assets (Note 15)	**35,679**	**39,930**
Current tax assets	--	--
Deferred tax assets	35,679	39,930
Other assets (Note 13)	**19,395**	**27,212**
Insurance contracts linked to pensions	--	--
Other	19,395	27,212
TOTAL ASSETS	**2,065,649**	**2,303,771**
MEMORANDUM ITEMS (Note 22):		
Loan commitments given (Note 22.2)	**3,495,054**	**4,060,850**
Financial guarantees given	**--**	**--**
Other commitments given (Note 22.1)	**16,884**	**23,295**

(*) Presented for comparison purposes only, see Note 1.4
The accompanying Notes 1 to 29 are an integral part of the balance sheet as at 31 December 2023

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 1 and 29). In the event of a discrepancy, the Spanish-language version prevails.

Servicios Financieros Carrefour E.F.C., S.A.

Balance sheet as at 31 December 2023
(Figures expressed in thousands of euros)

LIABILITIES AND EQUITY	31/12/23	31/12/22 (*)
Financial liabilities held for trading	**--**	**--**
Financial liabilities designated at fair value through profit or loss	**--**	**--**
Financial liabilities at amortised cost (Note 10)	**1,670,993**	**1,798,487**
Deposits from central banks	--	--
Deposits from credit institutions (Note 10.1)	1,209,238	1,327,274
Customer deposits (Note 10.2)	414,184	414,303
Debt securities issued	--	--
Other financial liabilities (Note 10.3)	47,571	56,910
Derivatives - hedge accounting (Note 12)	**2,420**	**1,288**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**--**	**--**
Provisions	**55,974**	**72,063**
Pensions and other post-employment defined benefit obligations	--	--
Other long-term employee benefits	--	--
Pending legal issues and tax litigation	--	--
Commitments and guarantees given (Note 11)	5,008	5,413
Other provisions (Note 11)	50,966	66,650
Tax liabilities (Note 15)	**4,082**	**11,250**
Current tax liabilities	980	1,802
Deferred tax liabilities	3,102	9,448
Share capital repayable on demand	**--**	**--**
Other liabilities (Note 13)	**12,104**	**13,072**
Liabilities included in disposal groups classified as held for sale	**--**	**--**
TOTAL LIABILITIES	**1,745,573**	**1,896,160**
EQUITY:		
SHAREHOLDERS' EQUITY: (Note 14.1)	**313,795**	**386,220**
Share capital (Note 14.1)	18,567	18,567
Share premium (Note 14.1)	85,679	85,679
Equity instruments issued other than capital	--	--
Other equity items	--	--
Retained earnings (Note 14.1)	176,498	216,498
Revaluation reserves	--	--
Other reserves (Note 14.1)	(1,527)	(1,357)
(-) Treasury shares	--	--
Profit for the year	34,578	66,833
(-) Interim dividends	--	--
ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 14.2)	**6,281**	**21,391**
Items that will not be reclassified to profit or loss	**423**	**271**
Fair value changes of equity instruments measured at fair value through other comprehensive income	423	271
Items that may be reclassified to profit or loss	**5,858**	**21,120**
Hedging derivatives. Cash flow hedges reserve	5,858	21,120
TOTAL EQUITY	**320,076**	**407,611**
TOTAL LIABILITIES AND EQUITY	**2,065,649**	**2,303,771**

(*) Presented for comparison purposes only, see Note 1.4
The accompanying Notes 1 to 29 are an integral part of the balance sheet as at 31 December 2023

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 1 and 29). In the event of a discrepancy, the Spanish-language version prevails.

Servicios Financieros Carrefour E.F.C., S.A.
Statement of profit or loss for the year ended 31 December 2023
(Figures expressed in thousands of euros)

	Income/(Expenses)	
	2023	2022 (*)
Interest income (Note 23)	**261,760**	**241,153**
Financial assets at fair value through other comprehensive income	--	--
Financial assets at amortised cost	240,520	237,249
Other interest income	21,240	3,904
(Interest expenses) (Note 24)	**(68,599)**	**(19,357)**
Expenses on share capital repayable on demand	--	--
NET INTEREST INCOME	**193,161**	**221,796**
Dividend income	--	--
Fee and commission income (Note 25)	**74,438**	**74,821**
(Fee and commission expenses) (Note 25)	**(14,587)**	**(16,287)**
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**--**	**--**
Gains or (-) losses on financial assets and liabilities held for trading, net	**--**	**--**
Other gains or (-) losses	**--**	**--**
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**--**	**--**
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	**--**	**--**
Gains or (-) losses from hedge accounting, net (Note 12)	**2,795**	**--**
Exchange differences [gain or (-) loss], net	**--**	**--**
Other operating income	**1,960**	**1,350**
(Other operating expenses)	**--**	**--**
GROSS INCOME	**257,767**	**281,680**
(Administrative expenses) (Note 26)	**(71,036)**	**(72,857)**
(Staff costs)	(9,783)	(9,389)
(Other administrative expenses)	(61,253)	(63,468)
(Depreciation and amortisation charge) (Notes 8 & 9)	**(8,146)**	**(7,382)**
(Provisions or (-) reversal of provisions) (Notes 11 & 15)	**(5,497)**	**(6,344)**
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and modification losses or (-) gains, net)	**(124,993)**	**(99,746)**
(Financial assets at fair value through other comprehensive income)	--	--
(Financial assets at amortised cost) (Note 7)	(124,993)	(99,746)
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	**--**	**--**
(Impairment or (-) reversal of impairment on non-financial assets)		**(2)**
(Tangible assets)	--	--
(Intangible assets) (Note 9)		(2)
(Other)	--	--
Gains or (-) losses on derecognition of non-financial assets, net	--	--
Negative goodwill recognised in profit or loss	--	--
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	--	--
PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**48,095**	**95,349**
(Tax expense or (-) income related to profit from continuing operations) (Note 15)	(13,517)	(28,516)
PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS	**34,578**	**66,833**
Profit or (-) loss after tax from discontinued operations	--	--
PROFIT (LOSS) FOR THE YEAR	**34,578**	**66,833**

(*) Presented for comparison purposes only, see Note 1.4
The accompanying Notes 1 to 29 are an integral part of the statement of profit or loss for the year ended 31 December 2023

Servicios Financieros Carrefour E.F.C., S.A.
Statement of changes in equity for the year ended 31 December 2023
(Figures expressed in thousands of euros)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Income/(Expenses)	
	2023	2022 (*)
PROFIT (LOSS) FOR THE YEAR	**34,578**	**66,833**
OTHER COMPREHENSIVE INCOME	**(15,110)**	**20,841**
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	**152**	**8**
Actuarial gains or (-) losses on defined benefit pension plans	--	--
Non-current assets and disposal groups held for sale	--	--
Fair value changes of equity instruments measured at fair value through other comprehensive income, net	217	13
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	**--**	**--**
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	--	--
Income tax relating to items that will not be reclassified	(65)	(5)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	**(15,262)**	**20,833**
Hedge of net investments in foreign operations (effective portion)	--	--
Foreign currency translation	--	--
Cash flow hedges (effective portion)	**(21,803)**	**29,761**
Valuation gains or (-) losses taken to equity	(19,008)	29,761
Transferred to profit or loss	(2,795)	--
Transferred to initial carrying amount of hedged items	--	--
Other reclassifications	--	--
Hedging instruments (not designated elements)	--	--
Debt instruments at fair value through other comprehensive income	--	--
Non-current assets and disposal groups held for sale	--	--
Income tax relating to items that may be reclassified to profit or (-) loss	**6,541**	**(8,928)**
TOTAL RECOGNISED INCOME AND EXPENSE	**19,468**	**87,674**

(*) Presented for comparison purposes only, see Note 1.4

The accompanying Notes 1 to 29 are an integral part of the statement of recognised income and expense for the year ended 31 December 2023

Servicios Financieros Carrefour E.F.C., S.A.
Statement of changes in equity for the year ended 31 December 2023
(Figures expressed in thousands of euros)

B) STATEMENT OF CHANGES IN TOTAL EQUITY

	SHAREHOLDERS' EQUITY						Accumulated other comprehensive income	Total equity
	Share capital	Share premium	Retained earnings	Other reserves	Profit for the year	Total shareholders' equity		
Ending balance at 31 December 2022 (*)	**18,567**	**85,679**	**216,498**	**(1,357)**	**66,833**	**386,220**	**21,391**	**407,611**
Effects of changes in accounting policies	--	--	--	--	--	--	--	--
Effects of corrections of errors	--	--	--	--	--	--	--	--
Adjusted beginning balance at 1 January 2023	**18,567**	**85,679**	**216,498**	**(1,357)**	**66,833**	**386,220**	**21,391**	**407,611**
Total comprehensive income for the year	--	--	--	--	**34,578**	**34,578**	**(15,110)**	**19,468**
Other changes in equity	--	--	**(40,000)**	**(170)**	**(66,833)**	**(107,003)**	--	**(107,003)**
Issuance of ordinary shares	--	--	--	--	--	--	--	--
Issuance of preference shares	--	--	--	--	--	--	--	--
Issuance of other equity instruments	--	--	--	--	--	--	--	--
Exercise or expiration of other equity instruments issued	--	--	--	--	--	--	--	--
Conversion of debt to equity	--	--	--	--	--	--	--	--
Capital reduction	--	--	--	--	--	--	--	--
Dividends (or remuneration of members)	--	--	(40,009)	--	(66,824)	**(106,833)**	--	**(106,833)**
Purchase of treasury shares	--	--	--	--	--	--	--	--
Sale or cancellation of treasury shares	--	--	--	--	--	--	--	--
Reclassification of financial instruments from equity to liability	--	--	--	--	--	--	--	--
Reclassification of financial instruments from liability to equity	--	--	--	--	--	--	--	--
Transfers among components of equity	--	--	9	--	(9)	--	--	--
Equity increase or (-) decrease resulting from business combinations	--	--	--	--	--	--	--	--
Share-based payments	--	--	--	(170)	--	**(170)**	--	**(170)**
Other increase or (-) decrease in equity	--	--	--	--	--	--	--	--
Ending balance at 31 December 2023	**18,567**	**85,679**	**176,498**	**(1,527)**	**34,578**	**313,795**	**6,281**	**320,076**

(*) Presented for comparison purposes only, see Note 1.4

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 1 and 29). In the event of a discrepancy, the Spanish-language version prevails.

Servicios Financieros Carrefour E.F.C., S.A.

Statement of changes in equity for the year ended 31 December 2023
(Figures expressed in thousands of euros)

	SHAREHOLDERS' EQUITY							
	Share capital	Share premium	Retained earnings	Other reserves	Profit for the year	Total shareholders' equity	Accumulated other comprehensive income	Total equity
Ending balance at 31 December 2021 (*)	**18,567**	**85,679**	**282,247**	**(1,490)**	**42,720**	**427,723**	**550**	**428,273**
Effects of changes in accounting policies	--	--	--	--	--	--	--	--
Effects of corrections of errors	--	--	--	--	--	--	--	--
Adjusted beginning balance at 1 January 2022	**18,567**	**85,679**	**282,247**	**(1,490)**	**42,720**	**427,723**	**550**	**428,273**
Total comprehensive income for the year	--	--	--	--	**66,833**	**66,833**	**20,841**	**87,674**
Other changes in equity	--	--	**(65,749)**	**133**	**(42,720)**	**(108,336)**	--	**(108,336)**
Issuance of ordinary shares	--	--	--	--	--	--	--	--
Issuance of preference shares	--	--	--	--	--	--	--	--
Issuance of other equity instruments	--	--	--	--	--	--	--	--
Exercise or expiration of other equity instruments issued	--	--	--	--	--	--	--	--
Conversion of debt to equity	--	--	--	--	--	--	--	--
Capital reduction	--	--	--	--	--	--	--	--
Dividends (or remuneration of members)	--	--	(65,749)	--	(42,720)	**(108,469)**	--	**(108,469)**
Purchase of treasury shares	--	--	--	--	--	--	--	--
Sale or cancellation of treasury shares	--	--	--	--	--	--	--	--
Reclassification of financial instruments from equity to liability	--	--	--	--	--	--	--	--
Reclassification of financial instruments from liability to equity	--	--	--	--	--	--	--	--
Transfers among components of equity	--	--	--	--	--	--	--	--
Equity increase or (-) decrease resulting from business combinations	--	--	--	--	--	--	--	--
Share-based payments	--	--	--	133	--	**133**	--	**133**
Other increase or (-) decrease in equity	--	--	--	--	--	--	--	--
Ending balance at 31 December 2022	**18,567**	**85,679**	**216,498**	**(1,357)**	**66,833**	**386,220**	**21,391**	**407,611**

(*) Presented for comparison purposes only, see Note 1.4
The accompanying Notes 1 to 29 are an integral part of the statement of changes in total equity for the year ended 31 December 2023

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 1 and 29). In the event of a discrepancy, the Spanish-language version prevails.

Servicios Financieros Carrefour E.F.C., S.A.

Statement of cash flows for the year ended 31 December 2023
(Figures expressed in thousands of euros)

	2023	2022 (*)
A. CASH FLOWS FROM OPERATING ACTIVITIES	**110,190**	**73,521**
PROFIT (LOSS) FOR THE YEAR	**34,578**	**66,833**
ADJUSTMENTS MADE TO OBTAIN THE CASH FLOWS FROM OPERATING ACTIVITIES:	**18,067**	**(8,057)**
Depreciation and amortisation charge (Notes 8 & 9)	8,146	7,382
Other adjustments	9,921	(15,439)
NET INCREASE/(DECREASE) IN OPERATING ASSETS:	**214,760**	**(58,613)**
Financial assets held for trading	--	93
Non-trading financial assets mandatorily at fair value through profit or loss	--	--
Financial assets designated at fair value through profit or loss	--	--
Financial assets at fair value through other comprehensive income	--	--
Financial assets at amortised cost	202,609	(81,290)
Other operating assets	12,151	22,584
NET INCREASE/(DECREASE) IN OPERATING LIABILITIES:	**(142,877)**	**103,767**
Financial liabilities held for trading	--	--
Financial liabilities designated at fair value through profit or loss	--	--
Financial liabilities at amortised cost	(127,152)	71,676
Other operating liabilities	(15,725)	32,090
INCOME TAX RECOVERED/(PAID)	**(14,338)**	**(30,408)**
B. CASH FLOWS FROM INVESTING ACTIVITIES	**(9,506)**	**(11,288)**
PAYMENTS	**9,506**	**11,288**
Tangible assets (Note 8)	6	2
Intangible assets (Note 9)	9,500	11,286
Investments in subsidiaries, joint ventures and associates	--	--
Other business units	--	--
Non-current assets and liabilities classified as held for sale	--	--
Other payments related to investing activities	--	--
PROCEEDS	--	--
Tangible assets	--	--
Intangible assets	--	--
Investments in subsidiaries, joint ventures and associates	--	--
Other business units	--	--
Non-current assets and liabilities classified as held for sale	--	--
Other proceeds related to investing activities	--	--
C. CASH FLOWS FROM FINANCING ACTIVITIES	**(106,833)**	**(108,337)**
PAYMENTS	**106,833**	**108,337**
Dividends	106,833	108,337
Subordinated liabilities	--	--
Redemption of own equity instruments	--	--
Acquisition of own equity instruments	--	--
Other payments related to financing activities	--	--
PROCEEDS	**--**	**--**
Subordinated liabilities	--	--
Issuance of own equity instruments	--	--
Disposal of own equity instruments	--	--
Other proceeds related to financing activities	--	--
D. EFFECT OF FOREIGN EXCHANGE RATE CHANGES	--	--
E. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(6,149)**	**(46,104)**
F. CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**27,316**	**73,420**
G. CASH AND CASH EQUIVALENTS AT END OF YEAR	**21,167**	**27,316**
MEMORANDUM ITEMS:		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash	--	--
Cash equivalents at central banks	--	--
Other financial assets (Note 6)	**21,167**	**27,316**
Less: Bank overdrafts refundable on demand	--	--
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	**21,167**	**27,316**

(*) Presented for comparison purposes only, see Note 1.4
The accompanying Notes 1 to 29 are an integral part of the statement of cash flows for the year ended 31 December 2023

1.Introduction, basis of presentation of the financial statements and other information

1.1. Introduction

Servicios Financieros Carrefour, Establecimiento Financiero de Crédito, S.A. ("the Company") was incorporated on 15 June 1990 under the name Financiera Pryca, Entidad de Financiación, S.A. In 1996 the company name was changed to Financiera Pryca, Establecimiento Financiero de Crédito, S.A. and in November 2001 it was changed to the current name. The Company is subject to the legislation and provisions regulating credit finance establishments and payments entities, and its registered office is at Carretera Nacional I, Km 14,500 Alcobendas (Madrid).

Pursuant to Law 3/1994, of 14 April, and Royal Decree 692/1996, of 26 April, subsequently amended by Royal Decree 309/2020, of 11 February, on the legal regime of credit finance establishments, at its meeting on 20 July 1996, the Universal Extraordinary General Meeting resolved to transform the Company into a credit finance establishment by modifying its previous name and extending its company object. This resolution was executed in a public deed on 2 August 1996. The Ministry of Economy and Finance Order of 12 December 1996 authorised this transformation. On 26 October 1996, the Company was registered in the Bank of Spain Register of Credit Finance Establishments under number 8,795 and was deregistered from the Register of Financing Entities. The Company is a member of the National Association of Credit Establishments ("ASNEF") under number 525.

On 15 September 2016, the Universal Extraordinary General Meeting unanimously resolved to amend the Company's bylaws and company object as follows:

In accordance with sections a), b) and d) of Article 6.1 of Law 5/2015, of 27 April, promoting business financing, and as a hybrid payment entity, with section e) of Article 1.2 of Royal Decree-Law 19/2018, of 23 November, on payment services and other urgent financial matters, the Company's activities are as follows:

1. *The grant of loans and credits, including consumer credit, mortgage credit and financing of commercial transactions.*
2. *Factoring, with or without recourse, and activities complementary thereto, such as investigation and classification of customers, recognising accounts receivable and, in general, any other activity that tends to encourage the administration, evaluation, security and financing of the loans and credits granted to them.*
3. *The transfer of guarantees and arrangement of similar commitments.*
4. *The issue of payment instruments or the acquisition of payment transactions.*

Also, the Company may carry on the other ancillary activities that may be necessary or appropriate for the performance of the above activities.

For the pertinent purposes, it is hereby stated that the Company's main activity has been assigned Spanish National Classification of Economic Activities (CNAE) number 6492.

The activities enumerated in this Note shall be exercised subject to the legal provisions applicable in this regard and after obtaining, where appropriate, the authorisations, licences or other administrative or other permits that may be required. Any activities for which the Company cannot meet the mandatory requirements established by law are excluded.

The loan granting activity is carried on in Spain (which is where substantially all the income composing the Company's revenue is generated), mostly through Carrefour establishments.

The services related to payment services are tied only to transactions carried out with the Pass credit card issued by the Company, which are detailed in these financial statements, an activity implicit to the Company's business and operations.

Also, as a consequence of the adaptation to bring the Company into line with the hybrid payment entities regime, pursuant to Transitional Provision Three of Law 5/2015, of 27 April, promoting business financing, on 25 January 2017, the Company was deregistered from the Bank of Spain Register of Credit Finance Establishments and simultaneously registered in the Register of Credit Finance Establishments - Hybrid Payment Entities. This change did not give rise to an alteration in its company name, code number or taxpayer identification number.

In 2003 the Company entered into an agreement with Sistema 4B, S.A. (principal member of Visa International and Mastercard International) whereby it accessed the services offered by Sistema 4B, S.A., the most noteworthy of which include services relating to means of payment, electronic funds transfers and other interbank cooperation services by means of computer handling of transactions relating to credit or debit card programmes, ATMs and point of sale terminals. As a consequence of this agreement, the Carrefour Pass cards became universal cards, converting them into Pass Visa cards associated with the Telebanco 4B service, an event that resulted in the Company now financing purchases made by its customers at Spanish and foreign establishments independent of the Carrefour Group. In 2014 the Company entered into an agreement for the provision of services with Master Card whereby the aforementioned company manages all the transactions arising from its activity in the means of payment market.

The Company's computer processes are carried out by Cetelem Servicios Informáticos, A.I.E. (30%-owned by the Company); the recovery services are carried out by Cetelem Gestión, A.I.E. (5%-owned by the Company). Both entities bill the Company for the related services (see Note 27).

The Company's financial statements for 2022 were prepared by the directors at the Board of Directors Meeting held on 31 March 2023, in accordance with Bank of Spain Circular 4/2019, of 26 November, to credit finance establishments, on public and confidential financial reporting rules and formats (which takes as a reference Bank of Spain Circular 4/2017, of 27 November), the legislation applicable to that year. The Company's financial statements for 2022 were approved by the shareholders at the Annual General Meeting held on 27 June 2023 and were filed at the Madrid Mercantile Registry.

The Company forms part of the Carrefour Group, the parent of which is Carrefour S.A., with registered office in Massy (France), which files consolidated financial statements. Pursuant to Article 43 of the Spanish Commercial Code, the Company is not obliged to prepare consolidated financial statements as it meets the requirements envisaged in the aforementioned Article because it is a subsidiary of a company with registered office in the European Union that prepares consolidated financial statements. The consolidated financial statements of the Carrefour Group for 2023 were authorised for issue by the directors of Carrefour, S.A. on 20 February 2024, and once they have been approved by the competent body they will be translated into Spanish and filed at the Madrid Mercantile Registry.

1.2. Basis of presentation of the financial statements

Bank of Spain Circular 4/2019, of 26 November, to credit finance establishments, on public and confidential financial reporting rules and formats, came into force on 1 January 2020. This Circular, which takes as a reference the accounting legislation for credit institutions, either sets criteria similar to those thereof or refers directly to the rules of Circular 4/2017, of 27 November. The differences in the nature, scale and complexity of the establishments' activities with respect to credit institutions give rise to a simplified regime of financial statement requirements. This Circular includes the requirements of Spanish accounting legislation with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and, in particular, incorporates the criteria of EU-IFRS 9, Financial Instruments into the accounting legislation of credit finance establishments, including the expected loss approach for estimating credit risk coverage.

The Circular adapts for the Spanish credit institution sector the International Financial Reporting Standards adopted by the European Union by means of EU Regulations, in conformity with Regulation No 1606/2002 of the European Parliament and of the Council of 19 July 2002 relating to the application of International Accounting Standards, and, accordingly, the financial statements present fairly the Company's equity and financial position as at 31 December 2023 and the results of its operations, the changes in its equity and the cash flows for the year then ended.

On 29 December 2021, the Bank of Spain published Circular 6/2021, of 22 December, amending Bank of Spain Circular 4/2017, of 27 November, to credit institutions on public and confidential financial reporting rules and formats and Circular 4/2019, of 26 November, to credit finance establishments on public and confidential financial reporting rules and formats, the changes to which came into force, mostly, in 2022.

Based on the above, the Company's financial statements for the year ended 31 December 2023 were formally prepared by its directors at the Board of Directors Meeting held on 22 March 2024, in accordance with the regulatory financial reporting framework applicable to the Company, which consists of the Spanish Commercial Code, the mandatory rules approved by the Spanish Accounting and Audit Institute (ICAC) and other company law and in Bank of Spain accounting Circular 4/2019, and the successive amendments thereto, applying, accordingly, the accounting principles and policies and measurement bases described in Note 2.

These financial statements were prepared from the Company's accounting records. All obligatory accounting principles and measurement bases with a significant effect on these financial statements were applied in their preparation.

The notes to the financial statements contain information additional to that presented in the balance sheet, statement of profit or loss, statement of changes in equity and statement of cash flows. The notes include narrative descriptions and breakdowns of such statements in a clear, relevant, reliable and comparable manner.

The financial statements for 2023 have not yet been submitted for approval by the shareholders at the Annual General Meeting. However, the Company's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

Main regulatory changes occurring in the period from 1 January to 31 December 2023

Bank of Spain Circular 3/2023, of 31 October, amending Bank of Spain Circular 2/2016, of 2 February, to credit institutions, on supervision and capital adequacy, which completes the adaptation of Spanish law to Directive 2013/36/EU and Regulation (EU) No 575/2013, and Circular 1/2022, of 24 January, to credit finance establishments, on liquidity, prudential regulations and disclosure obligations.

Bank of Spain Circular 2/2023, of 17 March, amending Circular 1/2013, of 24 May, on the Central Credit Register.

Bank of Spain Circular 1/2023, of 24 February, to credit institutions, branches in Spain of credit institutions authorised in another European Union Member State and credit finance establishments, on the information that must be sent to the Bank of Spain on secured bonds and other loan mobilisation instruments, amending Circular 4/2017, of 27 November, to credit institutions, on public and confidential financial reporting rules and formats, and Circular 4/2019, of 26 November, to credit finance establishments, on public and confidential financial reporting rules and formats.

These regulatory changes did not have a significant impact on the Company's financial statements.

1.3. Judgements and estimates made - Responsibility for the information

The information in these financial statements is the responsibility of the Company's directors, and, where appropriate, estimates were made by the Company's senior executives, later ratified by the directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein.

These estimates relate basically to the following:

I. The impairment losses on certain assets (see Notes 2.1.9, 5 and 7);

II. The useful life of the tangible and intangible assets (see Notes 8 and 9);

III. The fair value of certain unquoted assets (see Note 17);

IV. The value of certain provisions (see Note 11); and

V. The recoverability of deferred tax assets (see Notes 2.10 and 15).

Although the estimates described above were made on the basis of the best information available at 31 December 2023 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of Bank of Spain Circular 4/2019, recognising the effects of any change in estimates in the related statement of profit or loss.

1.4. Comparative information

As required by current legislation, the information contained in the financial statements relating to 2022 is presented, for comparison purposes only, with the figures for 2023 for each item in the balance sheet, statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements.

1.5. Investments in the share capital of credit institutions

At 31 December 2023 and 2022, the Company did not hold any ownership interests of 5% or more of the share capital or voting power of any other Spanish or foreign credit institution.

1.6. Agency agreements

Neither at 2023 or 2022 year-end nor at any other time during those years did the Company have any agency agreements in force, as defined in Article 21 of Royal Decree 84/2015, of 13 February, implementing Article 14 of Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions.

1.7. Environmental impact

In view of the business activities carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

1.8. Capital

At 31 December 2023 and 2022, the capital was calculated pursuant to the legislation in force at each of those dates governing the minimum capital that the Company must hold and how to calculate such capital, as well as the various capital adequacy assessment processes it must conduct.

Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions, was published in 2015; its purpose is not only to complete the regulatory implementation of Law 10/2014, of 26 June, but also to recast in a single text the rules with regulatory status on the regulation and discipline of credit institutions, for which purpose it recasts in a single text, on the one hand, the provisions on credit institutions of Royal Decree 216/2008, of 15 February, on financial institutions' own funds -which must remain in effect until the entry into force of Regulation (EU) No 575/2013 of 26 June 2013 and Directive 2013/36/EU of 26 June 2013- and, on the other hand, of Royal Decree 1245/1995, of 14 July, on the creation of banks, cross-border activity and other issues relating to the legal regime of credit institutions.

Bank of Spain Circular 2/2016, of 2 February, to credit institutions, on supervision and capital adequacy, which was amended by Circular 5/2021, of 22 December, and Circular 3/2022, of 30 March, came into force on 10 February 2016. This Circular, the purpose of which is to completes the adaptation of Spanish law to Directive 2013/36/EU and to Regulation (EU) No 575/2013, repeals Bank of Spain Circular 3/2008 and constitutes the legislation in force governing the minimum capital requirements for Spanish credit institutions -both as stand-alone entities and as consolidated groups- and the criteria for calculating them, as well as the various capital adequacy assessment processes they must conduct.

The supervisory function of credit finance establishments shall correspond to the Bank of Spain, pursuant to Title III of Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions, with any legislative adjustments that may be determined. This competency shall extend to any branch or centre, inside or outside Spain, and, to the extent that compliance with the functions commended to the Bank of Spain require it, to the entities belonging to the credit finance institution's group.

Lastly, Article 29 of Royal Decree 309/2020, of 11 February, establishes that the capital adequacy regime envisaged for credit institutions in the implementing rules of Title II of Law 10/2014, of 26 June, and in Title II of Royal Decree 84/2015, of 13 February, will be applicable to credit finance establishments and consolidated groups of credit finance establishments, with the scope and special cases established in Law 5/2015, of 27 April, and in the aforementioned Royal Decree.

Accordingly, at the end of 2023 and 2022 the capital adequacy regime envisaged for credit institutions in Title II of Law 10/2014, of 26 June, and in Title II of Royal Decree 84/2015 was applicable to the Company.

At 31 December 2023 and 2022, and for many years, the Company's eligible capital has exceeded the minimum capital requirements under current regulations, with a capital adequacy ratio of 12.66% and 13.33%, respectively.

1.9 Minimum reserve ratio

At 31 December 2023 and 2022, the Company was exempt from compliance with this ratio as it does not take responsible funding from the public.

(Figures expressed in thousands of euros)

1.10 Disclosures on the periods of payment to suppliers. Additional Provision Three "Disclosure obligation" provided for in Law 15/2010, of 5 July

Pursuant to Law 31/2014, of 3 December, amending Additional Provision Three "Disclosure obligation" of Law 15/2010, of 5 July, and the ICAC Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions, the Company hereby states that:

	31/12/23	**31/12/22**
	Days	**Days**
Average period of payment to suppliers	19.96	17.45
Ratio of transactions settled	20.10	17.37
Ratio of transactions not yet settled	10.01	33.91
	Euros	**Euros**
Total payments made	172,952,388	132,775,180
Total payments made	2,365,708	594,489

(*) The figures for 2022 are presented for comparison purposes only.

The aforementioned figures were calculated using the formulae and guidelines indicated in Article 5 of the aforementioned ICAC Resolution of 29 January 2016. For the purposes of the proper understanding of the information contained herein and in accordance with current legislation, "suppliers" are considered to be solely the suppliers of goods and services to the Company for which the related expenses are recognised mainly under "Other Administrative Expenses" in the accompanying statement of profit or loss (see Note 26.2), and, accordingly, this Note does not include disclosures on payments in financial transactions that constitute the Company's object and main activity or any payments to non-current asset suppliers, which, in any case, are made by the deadlines established in the related agreements and in the legislation in force.

Following is a detail of the monetary value and the number of invoices paid in the statutory payment period:

	31/12/23
Monetary value (euros)	172,952,388
Percentage of total payments made	95.59%
Number of invoices	3,490
Percentage of the total number of invoices	*88.97%*

1.11 Other matters

On 19 December 2023, the Company became aware of a security breach whereby unauthorised access was gained to one of the web services associated with the digital PASS channels. The attack only affected a reading service on personal customer databases. From the time at which the Company became aware of this breach, it activated the related protocols to resolve the vulnerability and security measures were implemented to prevent the attack from being extended or repeated. The Company contacted most of the affected customers and made the appropriate communications to the Spanish Data Protection Agency (AEPD), the Bank of Spain and the Spanish National Police. Consequently, it is considered that there are not any substantive reasons for the Company to be penalised by the regulatory entities or receive claims from customers affected by serious non-compliance with legislation that might give rise to an impact of such size that it significantly affects the financial statements as at 31 December 2023, and, accordingly, no provisions were recognised.

1.12 Events after the reporting period

No other events that might have a significant impact on the Company's accompanying financial statements took place from 31 December 2023 to the date on which the financial statements were authorised for issue.

2.Accounting policies and measurement bases

The accounting policies and measurement bases applied in preparing the Company’s financial statements for 2023 were as follows:

2.1. Financial assets and liabilities

2.1.1. Main financial assets and liabilities

Financial assets and liabilities are recognised for accounting purpose when the Company becomes a party to the contract giving rise to them. Specifically, debt instruments, such as loans and cash deposits, are recognised from the date on which the legal right to receive or the legal obligation to pay cash arises. Derivative financial instruments are generally recognised from the trade date.

The main financial assets and liabilities with which the Company operates relate to the following:

1. Financing provided to customers, through the products marketed by it (credit cards, loans and credit facilities).
2. Financing received from other credit institutions and current accounts at credit institutions.
3. Financial derivatives: instruments which, in addition to providing a profit or loss, may permit the offset, under certain conditions, of all or a portion of the credit and/or market risks associated with balances and transactions, using interest rates, certain indices, equity prices, cross-currency exchange rates or other similar benchmarks as underlyings.
4. Investments.

2.1.2. Classification of the main financial assets and liabilities

The Company's balance sheet as at 31 December 2023 presents all the financial assets and liabilities outstanding at that date—regardless of their specific nature—classified as follows:

1. Cash, cash balances at central banks and other demand deposits: these comprise cash balances and balances receivable on demand relating to deposits with the Bank of Spain and other central banks or credit institutions.

2. Financial assets held for trading: this item includes financial assets acquired for the purpose of selling them in the near term or which are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking and derivatives not designated as hedging instruments, including those separated from hybrid financial instruments.

3. Financial assets at fair value through other comprehensive income: this item includes financial instruments whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and which are managed by the Company within a model whose objective is achieved by both collecting the contractual cash flows and selling the instruments. Also, any equity instruments that the Company has voluntarily and irrevocably designated, at initial recognition, as measured at fair value through other comprehensive income are recognised in this portfolio.

4. Financial assets at amortised cost: this item includes financial instruments whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest, and which the Company manages on the basis of a business model whose objective is to hold the assets in order to collect the contractual cash flows.

5. Derivatives – hedge accounting: this portfolio includes the derivatives designated as hedging instruments in a hedging relationship.

6. Investments in subsidiaries, joint ventures and associates: these equity instruments are measured at cost in the respective entities' separate financial statements.

7. Financial liabilities at amortised cost: this item includes the financial liabilities not included under any other item in the balance sheet and which, in the case of the Company, relate mainly to the funds obtained from other financial institutions.

2.1.3. Classification of financial instruments

Bank of Spain Circular 4/2017 includes three main financial asset classification categories: financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

The classification of financial instruments in the amortised cost category or the fair value category necessarily involves the performance of two tests: the business model assessment and the contractual cash flow characteristics test, commonly referred to as the solely payments of principal and interest ("SPPI") test.

A debt instrument must be measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest, where interest is taken to be, basically, the consideration for the time value of money and the credit risk of the borrower.

A debt instrument must be measured at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset that is a debt instrument must be classified as at fair value through profit or loss whenever, as a result the Company's business model for managing it, or of its contractual cash flow characteristics, it cannot be classified in one of the other portfolios described.

2.1.4. Measurement of financial assets and liabilities

All financial assets are initially recognised at their fair value plus, in the case of financial instruments that are not classified as at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition or issue of the instruments.

Except in the case of trading derivatives that are not economic or accounting hedges, all changes in value of financial assets resulting from the accrual of interest and similar items are recognised under "Interest Income" in the statement of profit or loss for the period in which those items accrued.

A regular way purchase or sale of financial assets, defined as one in which the parties' reciprocal obligations must be discharged within a time frame established by regulation or convention in the marketplace and that may not be settled net, such as stock market and forward currency purchase and sale contracts, is recognised on the date from which the rewards, risks, rights and duties attaching to all owners are for the purchaser, which, depending on the type of financial asset purchased or sold, may be the trade date or the settlement or delivery date. In particular, transactions performed in the spot currency market are recognised on the settlement date, and equity and debt instruments traded in Spanish secondary securities markets are recognised on the trade date and the settlement date, respectively.

Changes in value occurring after initial recognition for reasons other than those mentioned in the preceding paragraph are treated as described below, based on the categories in which the financial assets are classified:

- Financial assets held within a business model whose objective is to generate gains through purchases or sales, or to generate profits in the near term, are recognised under "Financial Assets Held for Trading".
- The financial assets recognised under "Non-Trading Financial Assets Mandatorily at Fair Value through Profit or Loss" are those assigned to a business model whose objective is achieved by collecting contractual cash flows and/or selling financial assets, but whose contractual cash flows did not meet the conditions of the SPPI test.
- Financial assets are classified under "Financial Assets Designated at Fair Value through Profit or Loss" whenever, as a result the Company's business model for managing them, or of their contractual cash flow characteristics, they cannot be classified in one of the portfolios described above.

Subsequent to their acquisition the assets recognised under these balance sheet line items are measured at their fair value and changes in their value (gains or losses) are recognised, at their net amount, under "Gains or (-) Losses on Financial Assets and Liabilities Held for Trading, Net" and "Gains or (-) Losses on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss, Net" in the statement of profit or loss, except for the interest relating to derivatives designated as economic and accounting hedges of interest rates, which are recognised under "Interest Income" or "Interest Expenses" (see Notes 23 and 24), based on where the results of the hedged item are recognised. However, changes arising from exchange differences are recognised under "Exchange Differences [Gain or (-) Loss], Net" in the statement of profit or loss.

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date between two knowledgeable parties in an arm's length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price").

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

- Under "Financial Assets at Fair Value through Other Comprehensive Income" a distinction is made between:

  - **Debt instruments**: the assets recognised in this category are measured at their fair value. Subsequent changes in this value (gains or losses) are recognised temporarily, at the amount thereof (net of the related tax effect), under "Accumulated Other Comprehensive Income - Items that May Be Reclassified to Profit or Loss - Fair Value Changes of Debt Instruments Measured at Fair Value through Other Comprehensive Income" in the balance sheet, and they will remain in the Company's equity until the asset giving rise to them is derecognised or until it is determined that the financial instrument has become impaired.

    In addition, net impairment losses on these financial assets are recognised under "(Impairment or (-) Reversal of Impairment on Financial Assets Not Measured at Fair Value through Profit or Loss and Modification Losses or (-) Gains, Net) - (Financial Assets at Fair Value through Other Comprehensive Income)" in the statement of profit or loss for the relevant period.

  - **Equity instruments:** the Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in accumulated other comprehensive income. Subsequent changes in fair value will be recognised under "Accumulated Other Comprehensive Income - Items that Will Not Be Reclassified to Profit or Loss - Fair Value Changes of Equity Instruments Measured at Fair Value through Other Comprehensive Income".

- "Financial Assets at Amortised Cost"

A financial instrument is classified in the amortised cost portfolio when it is managed within a business model whose objective is to hold financial assets in order to collect contractual cash flows and it meets the conditions of the SPPI test.

Subsequent to acquisition, the assets recognised under "Financial Assets at Amortised Cost" in the balance sheet are measured at amortised cost, which is determined using the effective interest method.

Amortised cost is understood to be the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The effective interest method is used both in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or a financial liability, considering the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options), but without considering the expected credit losses. The calculation of the effective interest rate includes all fees and commissions, transaction costs and other premiums or discounts paid or received that are an integral part of the effective return or cost of the instrument, as provided for in Rule 38 of Bank of Spain Circular 4/2017i. Although there is a presumption that the cash flows and the expected life of a financial instrument can be estimated reliably, when it is not possible to reliably estimate them, the Company uses the contractual cash flows over the full contractual term of the financial instrument. In the case of floating rate financial instruments, the effective interest rate is estimated in a similar way to that for fixed rate transactions and is recalculated on each contractual interest rate reset date, taking into account any changes in the future cash flows of the transaction.

The net impairment losses arising each year on the assets recognised under "Financial Assets at Amortised Cost" are recognised under "(Impairment or (-) Reversal of Impairment on Financial Assets Not Measured at Fair Value through Profit or Loss and Modification Losses or (-) Gains, Net) - (Financial Assets at Amortised Cost)" in the statement of profit or loss for that period.

2.1.5. Classification of financial liabilities

Financial liabilities are classified into the following categories:

- Financial liabilities at amortised cost: this category includes, irrespective of their instrumentation and maturity, the financial liabilities not included under any other item in the balance sheet which arise from the ordinary borrowing activities carried on by financial institutions; financial liabilities are classified by default in the financial liabilities at amortised cost portfolio, unless any of the circumstances arise under which they are required to be classified in another portfolio;
- Financial liabilities held for trading (including derivatives): the instruments recognised in this category are those for which the Company has the objective of generating profits from buying and selling them;
- Financial liabilities designated at fair value through profit or loss on initial recognition ("Fair value option"). The Company has the option to irrevocably designate a financial liability as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency, or if the financial liability is part of a group of financial liabilities or a group of financial assets and financial liabilities that is managed and its performance is evaluated on a fair value basis, in accordance with a risk management or investment strategy.

2.1.6. Measurement of financial liabilities

All financial liabilities are initially recognised at their fair value plus, in the case of financial instruments that are not classified as at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition or issue of the instruments. Except in the case of trading derivatives that are not economic or accounting hedges, all changes in value of financial liabilities resulting from the accrual of interest and similar items are recognised under "Interest Income" or "Interest Expenses" in the statement of profit or loss for the period in which those items accrued.

Changes in value occurring after initial recognition for reasons other than those mentioned in the preceding paragraph are treated as described below, based on the categories in which the financial liabilities are classified:

- "Financial Liabilities Held for Trading" and "Financial Liabilities Designated at Fair Value through Profit or Loss":

Subsequent to their initial recognition, the liabilities recognised under these balance sheet line items are measured at their fair value and changes in their value (gains or losses) are recognised, at their net amount, under "Gains or (-) Losses on Financial Assets and Liabilities Held for Trading, Net" and "Gains or (-) Losses on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss, Net" in the statement of profit or loss, except for those relating to liabilities designated at fair value under the fair value option, in which the amount of the change in fair value attributable to changes in own credit risk are presented under "Accumulated Other Comprehensive Income - Items that Will Not Be Reclassified to Profit or Loss - Fair Value Changes of Financial Liabilities at Fair Value through Profit or Loss Attributable to Changes in their Credit Risk". The interest relating to derivatives designated as economic and accounting hedges of interest rates are recognised under "Interest Income" or "Interest Expenses" (see Notes 23 and 24), based on where the results of the hedged item are recognised. However, changes arising from exchange differences are recognised under "Exchange Differences [Gain or (-) Loss], Net" in the statement of profit or loss.

- "Financial Liabilities at Amortised Cost":

  Subsequent to acquisition, the liabilities recognised under "Financial Liabilities at Amortised Cost" in the balance sheet are measured at amortised cost, which is determined using the effective interest method.

2.1.7. Reclassification of financial instruments

Reclassifications between financial instrument portfolios are made when, and only when, an entity changes its business model for managing financial assets, in which case it must reclassify all affected financial assets as follows:

- If the Company **reclassifies a debt instrument out of the amortised cost measurement category and into the fair value through profit or loss measurement category**, the Company must estimate its fair value at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss.

- If the Company **reclassifies a debt instrument out of the fair value through profit or loss measurement category and into the amortised cost measurement category**, its fair value at the reclassification date becomes its new gross carrying amount.

- If the Company **reclassifies a debt instrument out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category**, the Company must estimate its fair value at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in accumulated other comprehensive income. The effective interest rate and the estimation of expected credit losses are not adjusted as a result of the reclassification.

- If **a debt instrument is reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category**, the financial asset is reclassified at its fair value at the reclassification date. The cumulative gain or loss recognised in accumulated other comprehensive income at the reclassification date is removed from equity and adjusted against the carrying amount of the asset at the reclassification date. As a result, the debt instrument is measured at the reclassification date as if it had always been measured at amortised cost.

- If the Company **reclassifies a debt instrument out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category**, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised under "Accumulated Other Comprehensive Income" is transferred from equity to profit or loss for the period at the reclassification date.

The aforementioned reclassifications are applied prospectively from the reclassification date, without it being necessary to restate any previously recognised gains, losses or interest.

In this regard, in accordance with applicable regulations, it is stated that no financial instrument reclassifications were performed in 2023 or 2022.

2.1.8. Derecognition of financial instruments

A financial asset is derecognised when one of the following circumstances arises:

- The contractual rights to the cash flows from the financial asset expire; or
- The financial asset is transferred and substantially all the risks and rewards of the financial asset are transferred or, even if substantially all the risks and rewards are neither transferred nor retained, control over the financial asset is transferred.

A financial liability is derecognised when the obligations it generates have been extinguished or when it is repurchased by the Company with the intention either to resell it or to cancel it.

2.1.9. Impairment of financial assets

A financial asset is considered to be impaired—and therefore its carrying amount is adjusted to reflect the effect of impairment—when there is objective evidence that events have occurred which:

1. In the case of debt instruments (loans and debt securities), give rise to an adverse impact on the future cash flows that were estimated at the transaction date.

2. In the case of equity instruments, mean that their carrying amount may not be fully recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the statement of profit or loss for the period in which the impairment becomes evident, and the reversal, if any, of previously recognised impairment losses is recognised in the statement of profit or loss for the period in which the impairment is reversed or reduced.

The impairment losses on debt instruments measured at amortised cost are recognised using a loss allowance that reduces the carrying amount of the asset, whereas the allowances for impairment losses on credit risk exposures other than debt instruments, such as the amounts drawable by customers on their credit cards, are recognised as a provision under «Provisions - Commitments and Guarantees Given» on the liability side of the balance sheet. The additions to and reversals of these loss allowances are recognised with a charge or credit to "(Impairment or (-) Reversal of Impairment on Financial Assets Not Measured at Fair Value through Profit or Loss and Modification Losses or (-) Gains, Net)- (Financial Assets at Amortised Cost)" and "(Provisions or (-) Reversal of Provisions)", respectively, in the statement of profit or loss.

When the recovery of any recognised amount is considered unlikely, the amount is written off, without prejudice to any actions that the Company may initiate to seek collection until its contractual rights are extinguished due to expiry of the statute-of-limitations period, forgiveness or any other cause.

The amount of an impairment loss incurred on a debt instrument carried at amortised cost is equal to the negative difference between its carrying amount and the present value of its estimated future cash flows.

In estimating the future cash flows of debt instruments the following factors are taken into account:

1. All the amounts that are expected to be obtained over the remaining life of the instrument; including, where appropriate, those which may result from the collateral provided for the instrument (less the costs for obtaining and subsequently selling the collateral). In the impairment loss, the likelihood of collecting interest is taken into account;

2. The various types of risk to which each instrument is subject; and

3. The circumstances in which collections will foreseeably be made.

These cash flows are subsequently discounted using the instrument's effective interest rate (if its contractual rate is fixed) or the effective contractual rate at the discount date (if it is variable), provided that the estimated cash flows will occur after 12 months from the reporting date.

Specifically as regards impairment losses resulting from materialisation of obligor default risk, a debt instrument is impaired due to default when there is evidence of a deterioration of the obligor's ability to pay, either because it is in arrears or for other reasons.

Possible impairment losses on these assets are assessed collectively: the Company classifies transactions on the basis of the nature of the obligors, transaction status, age of past-due amounts, etc., and for each risk group it establishes the impairment losses ("identified losses") that must be recognised in the financial statements.

Bank of Spain Circular 4/2019, which refers to Bank of Spain Circular 4/2017, introduced the expected credit loss impairment model, which is applied to financial assets measured at amortised cost and to financial guarantee contracts and irrevocable loan commitments entered into by the Company. Furthermore, all financial instruments measured at fair value through profit or loss are excluded from the scope of the impairment model.

Bank of Spain Circular 4/2017, in conformity with IFRS 9, classifies financial instruments into one of three categories, depending on the change in their credit risk since initial recognition. The first category includes transactions on initial recognition (Stage 1), the second category includes transactions for which a significant increase in credit risk has been identified since initial recognition (Stage 2), and the third category includes credit-impaired transactions (Stage 3). In addition, the value adjustments relating to off-balance-sheet commitment exposures (the drawable amount of revolving credit products) are recognised under "Provisions - Commitments and Guarantees Given" in the balance sheet.

For the purpose of implementing this classification, the following definitions were taken into account:

- Credit-impaired transactions (Stage 3)

  Default is considered to have occurred when one of the following situations arises:

  - Amounts are past due in respect of four or more monthly payments (transaction in arrears), up to 48 monthly payments (transaction classified as a write-off).
  - Refinanced or deferred transactions are in arrears by one or more monthly payments.
  - Transactions in relation to which legal proceedings have been initiated.

- Significant increase in credit risk (Stage 2)

  Instruments with respect to which one of the following circumstances has arisen are classified as Stage 2:

  ▪ Transactions neither refinanced nor deferred with amounts past due in respect of one to three monthly payments (transactions in arrears).

  ▪ Refinanced or restructured transactions that show no evidence of impairment, i.e., they have zero arrears.

- Performing risk transactions (Stage 1): Transactions with no evidence of risk. Transactions that are not subject to litigation, have neither been deferred nor refinanced and are not in arrears are classified in Stage 1.

Impairment is calculated, therefore, on the basis of each of the financial instrument classifications indicated above, as follows:

-Stage-1: No significant increase in credit risk: the loss allowance for these financial instruments is calculated as an amount equal to 12-month expected credit losses.

-Stage-2: Significant increase in credit risk: if the credit risk on a financial instrument has increased significantly since initial recognition, the loss allowance for that financial instrument is calculated as an amount equal to the lifetime expected credit losses.

-Stage-3: Impaired financial instruments: if there is objective evidence that a financial instrument has become impaired, it is transferred to this category, in which the loss allowance for that financial instrument is calculated as an amount equal to the lifetime expected credit losses.

- **Write-off:** this category includes the transactions for which the Company has no reasonable expectations of recovering the related financial asset. Classification in this category entails the recognition in profit or loss of a loss equal to the carrying amount of the transaction and the full derecognition of that carrying amount. In any case, transactions with 48 or more monthly payments past due must be recognised as write-offs.

Thus, in accordance with the Company's internal model, and as established in the regulations applicable to the Company, a distinction is made between the following expected loss concepts:

- **12-month expected credit losses**: these are the expected credit losses that result from default events that are possible within the 12 months after the reporting date.
- **Lifetime expected credit losses**: these are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

The expected loss is arrived at using the following parameters:

- PD: estimated probability of default in each period.
- EAD: total amount of a transaction or group of transactions on which the debtor may default.
- LGD: estimated loss given default, which is taken to be the difference between the contractual cash flows and the cash flows expected to be received.
- PA: probability that an inactive (revolving credit) contract will be activated during the observation period for the calculation of the expected loss.
- Cash factor: this reflects the portion of the outstanding exposure at month-end incurred after the card billing date (20th) that may be repaid and added back to the credit facility.
- Personal loan early repayment factor: this reflects the % of loans repaid early over a 12-month period. Refinanced customers are excluded.

- Card early repayment factor: this reflects the % of card balances repaid early over a 12-month period. Refinanced customers are excluded.
- CCF: the credit conversion factor indicates the portion of an undrawn amount that may ultimately be used and become doubtfully recoverable (default).

2.1.10. Derivative financial instruments

Financial derivatives are instruments which, in addition to providing a profit or loss, may permit the offset, under certain conditions, of all or a portion of the credit and/or market risks associated with balances and transactions, using interest rates, certain indices, equity prices, cross-currency exchange rates or other similar benchmarks as underlyings. The Company uses financial derivatives traded bilaterally with the counterparty outside organised markets (OTC).

It uses financial derivatives to manage the risks of its own positions (hedging derivatives). Financial derivatives not qualifying for hedge accounting are treated as trading derivatives. The conditions that must be met for a financial derivative to be considered as a hedge are as follows:

i) The financial derivative must hedge the exposure to changes in the fair value of assets and liabilities due to fluctuations in interest rates and/or exchange rates (fair value hedge); the exposure to variability in the estimated cash flows arising from financial assets and liabilities, commitments and highly probable forecast transactions (cash flow hedge); or the exposure of a net investment in a foreign operation (hedge of a net investment in a foreign operation).

ii) The financial derivative must be effective in offsetting exposure inherent in the hedged item or position throughout the expected term of the hedge. Therefore, the hedge must be prospectively effective (i.e., at the time of arrangement of the hedge it is expected, under normal conditions, to be effective) and retrospectively effective (i.e., there must be sufficient evidence that the hedge will continue to be effective during the whole life of the hedged item or position).

    The hedge effectiveness of the derivatives defined as hedging instruments must be duly documented by conducting effectiveness tests; the effectiveness test is the tool that demonstrates that the differences arising, as a result of changes in market prices, between the hedged item and the related hedging instrument remain within reasonable parameters throughout the life of the transactions, thus achieving the expected outcome established on arrangement of the hedge.

    If at any time this were not the case, all associated transactions in the hedging group would be considered to be trading derivates and would be duly reclassified in the balance sheet.

iii) There must be adequate documentation, in the effectiveness tests themselves, evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this effective hedge was expected to be achieved and measured, provided that this is consistent with the Company's management of own risks.

The assets and liabilities recognised under "Derivatives - Hedge Accounting" in the balance sheet are measured at fair value.

Changes arising after designation of the hedging relationship in the value of the financial instruments assigned to hedge accounting are recognised, since they relate to cash flow hedges, in equity under "Accumulated Other Comprehensive Income - Hedging Derivatives. Cash Flow Hedges Reserve". The aforementioned changes in value are recognised under "Gains or (-) Losses from Hedge Accounting, Net" in the statement of profit or loss when the gains or losses on the hedged items are recognised in profit or loss, or when the forecast transactions occur or when the hedged item matures. At 31 December 2023 and 2022, the Company had designated interest rate swaps and caps as hedging instruments for the interest rate risk on deposits from credit institutions classified by the Company as "Financial Liabilities at Amortised Cost".

2.2.Foreign currency transactions

The Company's functional currency is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be "foreign currency balances and transactions". The Company does not normally operate in foreign currencies.

At 31 December 2023 and 2022, the Company did not have any assets or liabilities denominated in currencies other than the euro.

2.3. Recognition of income and expenses

The most significant criteria used by the Company to recognise its income and expenses are summarised as follows:

2.3.1. Interest income, interest expenses and similar items

Interest income, interest expenses and similar items are generally recognised on an accrual basis using the effective interest method.

2.3.2. Commissions, fees and similar items

Fee and commission income and expenses are recognised in the statement of profit or loss using criteria that vary according to their nature. The main criteria are as follows:

1. Fee and commission income and expenses relating to the acquisition of financial assets and liabilities measured at fair value through profit or loss are recognised in the statement of profit or loss when settled.

2. Those arising from transactions or services that are performed over a period of time are recognised over the life of these transactions or services.

3. Those relating to services provided in a single act are recognised when the single act is carried out.

Financial fees and commissions, such as the origination fees for loans and credit facilities, form part of the effective yield or cost of a financial transaction and are recognised under the same line item as the finance income or costs, i.e., "Interest Income" or "(Interest Expenses)". Fees and commissions that are collected early are taken to profit or loss over the life of the transaction, except for the portion thereof offsetting directly attributable costs.

The fees and commissions offsetting directly attributable transaction costs, which are taken to be those that would not have been incurred had the transaction not been arranged, are recognised under "Other Operating Income" when the asset transaction is entered into.

Non-financial fees and commissions arising from the provision of services are recognised under "Fee and Commission Income" and "(Fee and Commission Expenses)" over the period in which the service is rendered, except for those that relate to a service provided in a single act, which accrue when the single act is carried out.

2.3.3. Non-finance income and expenses

These are recognised for accounting purposes on an accrual basis.

2.3.4. Deferred collections and payments

These are recognised for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

2.4. Offsetting

Asset and liability balances are offset and, therefore, the net amount is presented in the balance sheet, when, and only when, they arise from transactions in which a contractual or legal right of set-off exists and the Company intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

2.5. Operating leases

The single lessee accounting model requires assets and liabilities to be recognised for all leases. The relevant accounting standard provides two exceptions to the recognition of right-of-use assets and lease liabilities, namely, in the case of short-term leases and leases for which the underlying asset is of low value.

To determine whether a contract constitutes a lease or is a contract of a different kind, such as a services contract, the Company analyses whether the following two conditions are met: the asset is identified in the contract and the party receiving the asset has the right to control the use of the identified asset.

The lease term is the non-cancellable period of a lease, together with both the periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and the periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In operating leases, ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.

When the Company acts as the lessor in operating leases, it presents the acquisition cost of the leased assets under "Tangible Assets".

The depreciation policy for these assets is consistent with that for similar tangible assets for own use, and income from operating leases is recognised on a straight-line basis under "Other Operating Income" in the statement of profit or loss.

When the Company acts **as the lessee** in leases with a term of less than 12 months or for which the underlying asset is of low value, lease expenses are recognised under "(Administrative Expenses) - (Other Administrative Expenses)" in the statement of profit or loss.

When the Company acts **as the lessee** in leases with a term of more than 12 months or for which the underlying asset is not of low value, it recognises a lease liability under "Financial Liabilities at Amortised Cost - Other Financial Liabilities" in the balance sheet and a right-of-use asset, which are measured as follows:

(Figures expressed in thousands of euros)

	At the commencement date of the lease	Subsequently
Lease liability	The lease liability is measured at the present value of the lease payments that are not paid at that date, using as the discount rate the rate of interest, namely the "incremental borrowing rate", that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.	The lease liability is measured at amortised cost using the effective interest method and is remeasured (with the corresponding adjustment to the related right-of-use asset) if there is a change in future lease payments resulting from renegotiation, a change in an index or a rate, or a reassessment of the options in the lease.
Right-of-use asset	The right-of-use asset is measured at cost, which comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred, and the estimated dismantling or restoration costs to be incurred, when the obligation exists to bear these costs.	The right-of-use asset is depreciated on a straight-line basis and is reduced by any impairment losses recognised, as the case may be, in accordance with the treatment established for the other tangible and intangible assets.

2.6. Staff costs

2.6.1. Post-employment benefits

In 2005 the Carrefour Group undertook to make contributions to an insurance company in order to set up a retirement-linked life-insurance policy for certain employees and their beneficiary right holders. This insurance is a defined contribution plan, i.e., the Group does not assume any liability in respect of the benefits that the beneficiary employees will receive in due course. Since the aforementioned plan is instrumented through its parent, the Company pays to the parent the contributions corresponding to the employees entitled to the plan. In 2023 the Company recognised staff costs amounting to EUR 84 thousand in this connection (2022: EUR 84 thousand) (see Note 4).

2.6.2. Share-based payments:

The parent (Carrefour, S.A.) has remuneration plans in place for certain employees based on the award of shares of Carrefour S.A. The Company recognises these share-based payments as an expense, based on their nature, when they are obtained.

This plan is settled through the physical delivery of the shares to the employees. The amount recognised in the statement of profit or loss in this connection in 2023 was EUR 124 thousand (year ended 31 December 2022: EUR 272 thousand).

2.6.3. Termination benefits

Under current legislation, the Company is required to pay termination benefits to employees terminated without just cause. There are no employee redundancy plans at the Company that would make it necessary to recognise a provision in this connection and, therefore, as indicated in Note 11, the Company did not recognise any provision for termination benefits at 31 December 2023.

2.7. Tangible assets

The Company's only tangible assets are its property, plant and equipment for own use, which are stated at acquisition cost, less:

1. The related accumulated depreciation, and

2. Any impairment losses (carrying amount higher than recoverable amount).

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value.

The period property, plant and equipment depreciation charge is recognised in the statement of profit or loss and is calculated using the following depreciation rates (determined on the basis of the average years of estimated useful life of the various assets):

	Annual rate
Furniture and office equipment	10% - 14.75%
IT equipment	25% - 50%
Fixtures	10% - 33%
Other items of property, plant and equipment	10% - 14.75%

The Company assesses at each reporting date whether there is any internal or external indication that its tangible assets may be impaired (i.e., their carrying amount exceeds their recoverable amount). If this is the case, the carrying amount of the asset in question is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life (if the useful life has to be re-estimated).

Similarly, if there is an indication of a recovery in the value of a tangible asset, the Company recognises the reversal of the impairment loss recognised in prior periods and adjusts the future depreciation charges accordingly. Under no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

The estimated useful lives of the items of property, plant and equipment for own use are reviewed at least at the end of the reporting period with a view to detecting significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recognised in the statement of profit or loss in future years on the basis of the new useful lives.

Upkeep and maintenance expenses relating to property, plant and equipment for own use are recognised as an expense in the period in which they are incurred.

2.8. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the Company. Only intangible assets whose cost can be estimated reasonably objectively and from which the Company considers it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

"Intangible Assets" in the balance sheet as at 31 December 2023 and 2022 includes only the Company's computer software. This software, which was acquired from third parties and adapted to meet the Company's needs, is being amortised over four years, which is the period during which the Company considers it will enable it to obtain economic benefits.

2.9. Provisions and contingent liabilities

When preparing the financial statements, the Company's directors made a distinction between:

1. Provisions: credit balances covering present obligations at the reporting date arising from past events which could give rise to a loss for the Company, which is considered probable as to its occurrence and certain as to its nature, but uncertain as to its amount and/or timing; and

2. Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control.

The Company's financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the financial statements, but rather are disclosed in the notes to the financial statements.

At 2020 year-end, Company management identified a contingent liability, since in September 2020 a joint claim was filed against the Company, requesting that certain clauses of the revolving credit card contract be declared null and void as they were considered to be abusive and lacking in transparency. On 16 June 2021, a judgment favourable to the Company's interests was handed down, against which an appeal was lodged at a superior court. In September 2022 the Provincial Appellate Court dismissed substantially in full the appeal filed by Asufin, thus confirming the first-instance judgment. In doing so, the Court declared the Pass card contract to be valid, with the exception of two of its clauses, the deficiencies of which have already been remedied by the Company and whose economic impact is very small or potentially nil. Asufin has filed a cassation appeal against this further judgment contrary to its interests. The Company's directors consider that there is a remote possibility that this appeal might give rise to a loss for the Company

Provisions (which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year) are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

2.9.1. Court proceedings and/or claims in process

At the end of 2023 certain court proceedings and claims were in process against the Company arising from the ordinary course of its operations. The Company's legal advisers and directors consider that the outcome of these proceedings and claims will not have a material effect—additional, as the case may be, to the amount included as a provision—on the financial statements for the years in which they are settled (see Note 11).

2.10. Income tax

The current income tax expense is calculated as the tax payable on the taxable profit for the year, adjusted by the amount of the changes in the year in the assets and liabilities recognised resulting from temporary differences, tax credits and tax relief and any tax loss carryforwards that might exist.

The income tax expense is recognised in the statement of profit or loss, except when it arises from a transaction the result of which is recognised directly in equity, in which case the related income tax is also recognised in equity.

Tax credit and tax loss carryforwards are amounts that, after performance of the activity or obtainment of the loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in the tax regulations are met and the Company considers it probable that they will be used in future periods.

The Company considers that a temporary difference exists when there is a difference between the carrying amount of an asset or liability and the amount attributed to it for tax purposes. A taxable temporary difference is one that will generate a future obligation for the Company to make a payment to the related tax authorities. A deductible temporary difference is one that will generate a right to a refund for the Company or a reduction in its tax charge in the future.

Deferred tax liabilities are recognised for all taxable temporary differences. The Company only recognises deferred tax assets arising from deductible temporary differences and from tax credit and tax loss carryforwards when the following conditions are met:

1. Deferred tax assets are only recognised to the extent that it is considered probable that the Company will have sufficient future taxable profits available against which the deferred tax assets can be utilised, and

2. In the case of deferred tax assets arising from tax loss carryforwards, the tax losses resulted from identifiable causes which are unlikely to recur.

Deferred tax assets and liabilities are not recognised if they arise from the initial recognition of an asset or liability (other than in a business combination) that at the time of recognition affects neither accounting profit nor taxable profit.

The deferred tax assets and liabilities recognised, as well as those previously not recognised, are reassessed at the end of each reporting period in order to ascertain whether they still exist, in which case the appropriate adjustments are made on the basis of the findings of the analyses performed, or in order to recognise any previously unrecognised deferred tax asset to the extent that it has become probable that the Company will have sufficient taxable profits in the future against which it can be utilised.

2.11. Other assets and other liabilities

"Other Assets" and "Other Liabilities" in the balance sheet include the amount of the assets and liabilities not recognised under other line items, which relate, basically, to suspense accounts and to accrual accounts, except for those relating to accrued interest or accrued fees and commissions, which are included in the same line item as the financial instruments giving rise to them.

2.12. Statement of changes in total equity

This statement presents all the changes in equity, including those arising from changes in accounting policies and from the correction of errors. Accordingly, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all the equity items, and the changes are grouped together on the basis of their nature into the following items:

- **Effects of changes in accounting policies and effects of corrections of errors**: include the changes in equity arising as a result of the retrospective restatement of the balances in the financial statements due to changes in accounting policies or to the correction of errors.
- **Total comprehensive income for the year**: includes, in aggregate form, the total of the aforementioned items recognised in the statement of recognised income and expense.
- **Other changes in equity**: includes the remaining items recognised in equity, such as increases and decreases in the endowment fund, distribution of profits, transactions involving own equity instruments, equity-instrument-based payments, transfers between equity items and any other increases or decreases in equity.

2.13 Statement of recognised income and expense

This statement presents the income and expenses generated by the Company as a result of its business activity in the year, and a distinction is made between the income and expenses recognised in the statement of profit or loss for the year and the other income and expenses recognised, in accordance with current regulations, directly in equity; in turn, with regard to the latter, a distinction is made between those items which in accordance with the applicable regulations may be reclassified to profit or loss and those that will not.

Accordingly, this statement presents:

a) Profit or loss for the year.

b) The net amount of the income and expenses recognised temporarily as "Accumulated Other Comprehensive Income" in equity that will not be reclassified to profit or loss.

c) The net amount of the income and expenses recognised in equity that may be reclassified to profit or loss.

d) The income tax incurred in respect of the items indicated in b) and c) above, except for the valuation adjustments arising from investments in associates or jointly controlled entities accounted for using the equity method, which are presented net.

e) Total recognised income and expense, calculated as the sum of a) to d) above.

Any changes in income and expenses recognised in equity as other comprehensive income would be broken down as follows:

a) **Valuation gains or (-) losses**: includes the amount of the income, net of the expenses incurred in the year, recognised directly in equity. The amounts recognised in this line item in the year remain there, even if in the same year they are transferred to profit or loss, to the initial carrying amount of other assets or liabilities, or are reclassified to another line item.

b) **Transferred to profit or loss**: includes the amount of the valuation gains or losses previously recognised in equity, albeit in the same year, which are recognised in the statement of profit or loss.

c) **Transferred to initial carrying amount of hedged items**: includes the amount of the valuation gains or losses previously recognised in equity, albeit in the same year, which are recognised in the initial carrying amount of the assets or liabilities as a result of cash flow hedges.

d) **Other reclassifications**: includes the amount of the transfers made in the year between valuation adjustment items in accordance with current regulations.

The amounts of these items are presented at their gross value, with their corresponding tax effect shown under "Income Tax" in the statement.

2.14. Statements of cash flows

The following terms are used in the statements of cash flows with the meanings specified:

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

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

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

4. Financing activities: activities that result in changes in the size and composition of the equity and borrowings that are not operating activities.

For the purposes of preparing the statement of cash flows, cash and cash equivalents were considered to be the balance of "Cash, Cash Balances at Central Banks and Other Demand Deposits", which included short-term, highly liquid investments subject to an insignificant risk of changes in their carrying amount, i.e., EUR 21,167 thousand at 31 December 2023 (31 December 2022: EUR 27,316 thousand).

3. Distribution of profit

The distribution of the Company's net profit for 2023 that the Board of Directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

	2023	2022
Net profit of the Company	**34,578**	**66,833**
To profits not specifically appropriated	7	9
Dividends	34,571	66,824

Pursuant to Article 348 bis of the Spanish Limited Liability Companies Law, referring to the shareholder's right of withdrawal, the Company's directors hereby state that the Company has paid the following dividends in the last five years, all of which exceeded one-third of the profit obtained from operations and legally payable each year.

Year earned	Distribution of profit in thousands of euros
2022	66,824
2021	42,720
2020	53,694
2019	89,161
2018	42,263

Year approved	Final dividends in thousands of euros
2023	40,009
2022	65,749
2021	40,845

(Figures expressed in thousands of euros)

4.Remuneration of the Board of Directors and key management personnel and Detail of investments held by directors in companies with similar activities

In 2023 the members of the Company's Board of Directors received fixed remuneration of EUR 95,953 (2022: EUR 95,004). This remuneration was distributed among the members of the Board of Directors as follows: Javier Lapastora Turpin, EUR 45,450 in 2023 (2022: EUR 45,000) and Domingo Luis Caamaño Guerrero, EUR 50,503 in 2023 (2022: EUR 50,004). None of the members of the Board of Directors were granted any advances, loans or guarantees, and the Company did not have any pension or life insurance obligations to them.

All the remuneration of the Company's employees considered to be key management personnel in 2023 and 2022 (eight members) can be summarised as follows:

Year	Persons at year-end	Thousands of euros				
		Salary			Other remuneration (*)	Total
		Fixed	Variable	Total		
2023	8	1,472	257	1,729	194	1,923
2022 (**)	8	1,450	182	1,632	181	1,813

(*) see Note 2.6.1.
(**) The figures for 2022 are presented for comparison purposes only.

At 31 December 2023, loans had been granted to senior executives amounting to EUR 68 thousand (31 December 2022: EUR 46 thousand).

For the purposes of the foregoing disclosure, the persons meeting the requirements outlined in section 1.d) of Rule 62 of Circular 4/2017 are considered to be key management personnel.

Information regarding situations of conflict of interest involving the directors

Pursuant to Article 229 of the Spanish Limited Liability Companies Law, in 2023 and until the date of authorisation for issue of the financial statements, neither the members of the Company's Board of Directors, nor the persons related to them as defined in Article 231 of the Spanish Limited Liability Companies Law had notified the other members of the Board of Directors of any direct or indirect conflict of interest they might have with respect to the Company.

Pursuant to Additional Provision Twenty-Six of Spanish Organic Law 3/2007, of 22 March, for the effective equality of women and men, it is hereby reported that at 31 December 2023 the Board of Directors comprised nine men and two women (31 December 2022: nine men and two women).

At 31 December 2023 and 2022, the key management personnel and the persons related to them as defined in current legislation, did not hold any significant balances with the Company.

(Figures expressed in thousands of euros)

5. Financial assets designated at fair value through other comprehensive income

"Financial Assets Designated at Fair Value Through Other Comprehensive Income" in the balance sheets as at 31 December 2023 and 2022 includes the ownership interests held by the Company at those dates in VISA INC and Equifax Ibérica, S.L.

The changes in "Financial Assets Designated at Fair Value Through Other Comprehensive Income" in the balance sheets as at 31 December 2023 and 2022 were as follows:

	Thousands of euros		
	Balances at 01/01/23	Valuation adjustments	Balances at 31/12/23
By type:			
Equity instruments			
Equifax Association	55	6	61
VISA INC	978	211	1,189
Total	**1,033**	**217**	**1,250**

	Thousands of euros		
	Balances at 01/01/22	Valuation adjustments	Balances at 31/12/22
By type:			
Equity instruments			
Equifax Association	63	(8)	55
VISA INC	957	21	978
Total	**1,020**	**13**	**1,033**

At the end of 2016, due to an international restructuring of the investee VISA to unify the businesses globally under the VISA INC name, the Company registered its share of the preference shares in proportion to the ownership interest previously held by it in the 4B and AEVIS (members of Visa Europe) systems. The value of the ownership interest recognised by the Company at 2023 year-end amounted to EUR 1,189 thousand (2022 year-end: EUR 978 thousand) and changes in value are recognised under "Accumulated Other Comprehensive Income" in the accompanying balance sheet.

6. Cash, cash balances at central banks and other demand deposits

"Cash, Cash Balances at Central Banks and Other Demand Deposits" includes the balances held by the Company in demand deposits at credit institutions. All the demand deposits at credit institutions have been made at domestic and international banks of renowned prestige.

7. Financial assets at amortised cost

7.1. Loans and advances

7.1.1. Loans and advances - Credit institutions

At 31 December 2023 and 2022, the amount recognised under "Loans and Advances - Credit Institutions" relates to the net cash balance exchanged with the Columbus Master Credit Cards, FTA securitisation fund.

Securitisation - Transfers of financial assets

On 7 April 2017, the Company transferred to Columbus Master Credit Cards, Fondo de Titulización ("the Fund") the total amount drawn down of all the credit cards in a portfolio for a total amount of EUR 638,000 thousand. The securitisation fund, through its management company Intermoney Titulización, S.G.F.T., S.A., launched an issue of securitisation bonds for EUR 580,000 thousand, of which EUR 110,000 thousand, which corresponded to the class C bonds, were acquired by the Company, while EUR 470,000 thousand corresponding to the class A bonds were acquired by one of its shareholders, Carrefour Banque, S.A.

On 19 June 2019, the bonds described above were redeemed early and the second issue of securitisation bonds was launched for a lower amount, totalling EUR 551,400 thousand, of which EUR 430,000 thousand corresponded to the class A bonds that were acquired by one of its shareholders, Carrefour Banque, S.A., and EUR 121,400 thousand corresponded to the class C bonds that were repurchased by the Company.

On 28 June 2021, the bonds described above were redeemed early and the third issue of securitisation bonds was launched for a higher amount, totalling EUR 566,000 thousand, of which EUR 414,000 thousand corresponded to the class A bonds that were acquired by one of its shareholders, Carrefour Banque, S.A., paying an issue premium of EUR 1,290 thousand, and EUR 152,000 thousand that corresponded to the class C bonds (see Note 10.2).

On 26 June 2023, the securitisation was renewed, changing only the interest rate and the maturity of the bonds, resulting in an interest rate of 4% (previously 0.15%) for the class A notes, an interest rate of 4.35% for the class C notes (previously 0.5%) and extending the maturity of the two types of notes from June 2036 to June 2038.

As part of the aforementioned transaction, the Company granted a subordinated loan to the Fund that initially amounted to EUR 58,000 thousand (EUR 55,908 thousand and EUR 38,125 thousand at 31 December 2023 and 2022, respectively), plus another two subordinated loans corresponding to the General Reserve, for an amount of EUR 5,460 thousand, and to the Commingling Reserve, for EUR 9,100 thousand (which at 31 December 2023 amounted to EUR 4,968 thousand and EUR 10,734 thousand, respectively, while at 31 December 2022 they amounted to EUR 4,968 thousand and EUR 10,682 thousand, respectively). As a result of all the foregoing, the securitised card balances continued to be recognised in the Company's balance sheet, since not all the risks and rewards of the securitised cards had been transferred (see Note 10.2).

(Figures expressed in thousands of euros)

In short, the main features of the securitisation launched are as follows:

Fund	Series	Rating	Amount (thousands of euros)	Coupon	Maturity
Columbus Master Credit Cards	A	AA	414,000	Fixed rate of 4.00%	26/06/38
Columbus Master Credit Cards	C	Not rated	152,000	Fixed rate of 4.35%	26/06/38

7.1.2. Loans and advances - Customers

The Company operates in Spain and offers its products, all of which are at fixed rates, to individual customers. The detail, by classification, loan type and status, of "Loans and Advances - Customers" is as follows:

	Thousands of euros	
	31/12/23	31/12/22
By loan type and status:		
Trade receivables	4,336	4,469
Credit card debt	1,041,309	1,103,078
Other term loans	837,773	972,641
Non-performing assets	193,131	175,818
	2,076,549	2,256,006
Valuation adjustments (*)	(196,798)	(160,049)
Total	**1,879,751**	**2,095,957**

(*) The valuation adjustments shown relate mainly to the impairment losses, the accrual of interest and net fees and commissions.

The annual average effective interest rate of these financial instruments was 14.02% at 2023 year-end (2022 year-end: 13.07%).

The carrying amount recognised in the following table, excluding the portion relating to "Valuation Adjustments", represents the Company's maximum level of credit risk exposure in relation to the financial instruments included therein.

	Thousands of euros	
	31/12/23	31/12/22
Risk exposure		
Credit drawn down	2,076,549	2,256,006
Loan commitments for the drawable amounts of the credit cards	3,495,054	4,060,850
Total	**5,571,603**	**6,316,856**

The transactions were granted to individuals residing in Spain.

(Figures expressed in thousands of euros)

Note 16 contains a detail of the maturities of the balances of these items in the balance sheets. Also, the rates applicable to the interest-bearing assets are detailed in Note 19. The return generated by these assets in 2023 and 2022 is shown in Note 23.

Credit quality of the financial assets at amortised cost portfolio
Following is a detail of the data on the credit quality of the financial assets at amortised cost portfolio:

	Thousands of euros	
	31/12/23	31/12/22
Gross amount:		
Performing exposure	1,776,834	1,972,045
Performing under watchlist	106,584	108,143
Non-performing	193,131	175,818
Total	**2,076,549**	**2,256,006**

Current refinancing balances

As established in Bank of Spain Circular 6/2012, of 28 September, the Company reviewed and assigned the refinancing transactions in the terms described in the Circular. In compliance with the applicable legislation, following are the main explicit policies and procedures in relation to the Company's activity performed in the scope of the refinancing and restructuring of loans and credits to customers, the requirements for any of these transactions being, inter alia, as follows:

- The economic and financial position of the debtors is analysed and the debtor's habitual income is kept up to date.

- The economic terms and conditions of the refinancing cover the costs inherent thereto.

- The interest rates applied in the refinancings are envisaged in the Company's pricing policies.

- The decision is taken on a case-by-case basis taking into account the customer's situation and by a circuit other than that which originally granted the transaction.

- The Company has experience with the customer as regards compliance with its payment obligations.

- Previously refinanced transactions are not refinanced.

(Figures expressed in thousands of euros)

Set forth below is other information required by Circular 6/2012:

At 31 December 2023:

	PERFORMING		PERFORMING UNDER WATCHLIST			NON-PERFORMING			TOTAL		
	Without collateral		Without collateral		Allowance	Without collateral		Allowance			
	Number of transactions	Gross amount	Number of transactions	Gross amount		Number of transactions	Gross amount		Number of transactions	Gross amount	Allowance
Other individuals	-	-	10,024	80,226	9,437	6,238	52,413	33,607	16,263	132,639	43,045
Total	-	-	10,025	80,226	9,437	6,238	52,413	33,607	16,263	132,639	43,045

At 31 December 2022:

	PERFORMING		PERFORMING UNDER WATCHLIST			NON-PERFORMING			TOTAL		
	Without collateral		Without collateral		Allowance	Without collateral		Allowance			
	Number of transactions	Gross amount	Number of transactions	Gross amount		Number of transactions	Gross amount		Number of transactions	Gross amount	Allowance
Other individuals	-	-	9,542	68,891	8,392	6,614	53,821	32,465	16,156	122,712	40,857
Total	-	-	9,542	68,891	8,392	6,614	53,821	32,465	16,156	122,712	40,857

Distribution of loans and advances to customers by activity (carrying amount)

The Company held all of its loans in the "Other Households and NPISH - Consumer" activity sector for an amount net of allowances of EUR 1,879,751 thousand and EUR 2,095,957 thousand at 31 December 2023 and 2022, respectively (of which EUR 89,594 thousand and EUR 81,855 thousand related to refinanced transactions net of allowances allocated to specific transactions at 31 December 2023 and 2022, respectively). At 31 December 2023 and 2022, all of the loan portfolio was concentrated in Spain.

The loans granted do not have any guarantees (either collateral or mortgage) associated with them, in view of the type of loans granted by the Company, which are substantially all consumer loans. Based on the above, the table referring to the distribution of the loans to customers by activity is not shown.

At 31 December 2023 and 2022, all the financial assets classified under this heading were denominated in euros.

(Figures expressed in thousands of euros)

7.2. Impairment losses

The changes in the impairment losses on the assets included under "Financial Assets at Amortised Cost - *Loans and Advances to Customers*" in the accompanying balance sheets as at 31 December 2023 and 2022 were as follows:

2023	**Impairment losses (thousands of euros)**			
	Performing	**Performing under watchlist**	**Non-performing**	**Total**
Balance at 01/01/23	33,268	19,621	126,722	179,611
Transfers of financial assets:				
Transfers from performing	-	7,931	64,575	72,506
Transfers from performing under watchlist	(725)	-	8,026	7,301
Transfers from non-performing	(3,186)	(2,644)	-	(5,830)
Annual net production of impairment losses	2,123	(5,047)	23,738	20,814
Changes in the model/methodology and update of parameters	2,640	1,007	18,452	22,099
Written-off assets	-	-	(3,863)	(3,885)
Other changes *(*)*	(3,520)	5	(96,735)	(100,228)
Balance at 31/12/23	**30,600**	**20,873**	**140,915**	**192,388**

(*) Relating mainly to allowances derecognised due to sale of a performing loan portfolio and impaired assets.

2022	**Impairment losses (thousands of euros)**			
	Performing	**Performing under watchlist**	**Non-performing**	**Total**
Balance at 01/01/22	22,157	31,367	151,096	204,620
Transfers of financial assets:				
Transfers from performing	-	6,524	48,160	54,684
Transfers from performing under watchlist	(485)	-	13,434	12,949
Transfers from non-performing	(1,845)	(3,615)	-	(5,460)
Annual net production of impairment losses	4,476	(3,818)	15,795	16,453
Changes in the model/methodology and update of parameters	8,965	(972)	11,973	19,966
Written-off assets	-	-	(2,441)	(2,441)
Other changes *(*)*	-	(9,865)	(111,295)	(121,160)
Balance at 31/12/22	**33,268**	**19,621**	**126,722**	**179,611**

(*) Relating mainly to allowances derecognised due to sale of refinanced assets and impaired assets.

(Figures expressed in thousands of euros)

Following is a summary of the changes in 2023 and 2022 in "Impairment or (-) Reversal of Impairment on Financial Assets Not Measured at Fair Value Through Profit or Loss - Financial Assets at Amortised Cost" in the accompanying statements of profit or loss:

	Thousands of euros	
	31/12/23	31/12/22
Net impairment charge for the year	124,993	99,746
	124,993	**99,746**

In 2022, in order to mitigate the volatility of the forward-looking model for calculating the stage 1 probability of default due to the use of a single macroeconomic variable, GDP, two new variables were included, the unemployment rate and the national savings rate, thus making the model more robust. This adjustment gave rise to a reversal of a charge of EUR 9,309 thousand.

Following is a summary of the changes in the "Written-Off Assets" recognised by the Company in 2023 and 2022:

	Thousands of euros	
	31/12/23	31/12/22
Balance at beginning of year	8,886	8,270
Additions		
Use of the cumulative impairment losses balance	3,863	2,441
Disposals		
Cash collection	(813)	(950)
Forgiveness	(36)	(11)
Sale	(15)	(156)
Other items	--	(708)
Balance at 31 December	11,885	8,886

Sale of impaired asset portfolio

On 15 June and 28 June 2023, the Company entered into two purchase and sale and portfolio transfer without recourse agreements on certain portfolios of impaired loans to individuals, without associated collateral, for a nominal amount of EUR 101,261 thousand and EUR 39,614 thousand, respectively, which included capital, interest and other capitalised items (the cutoff dates established were 7 March and 9 June 2023). The final value of the sales amounted to EUR 30,373 thousand, giving rise to a net gain of EUR 6,164 thousand, which was recognised under "Impairment or (-) Reversal of Impairment on Financial Assets Not Measured at Fair Value Through Profit or Loss - Financial Assets at Amortised Cost" in the accompanying statement of profit or loss for 2023.

Also, on 22 June 2023, the Company entered into a purchase and sale and portfolio transfer without recourse agreement on a portfolio of impaired loans to individuals, without associated collateral, for a nominal amount of EUR 12,316 thousand, which included capital, interest and other capitalised items (the cutoff date established was 28 February 2023). The final value of the sale amounted to EUR 7,754 thousand, giving rise to a net gain of EUR 2,568 thousand, which was recognised under "Impairment or (-) Reversal of Impairment on Financial Assets Not Measured at Fair Value Through Profit or Loss - *Financial Assets at Amortised Cost*" in the accompanying statement of profit or loss for 2023.

On 4 May and 22 June 2022, the Company entered into two purchase and sale and portfolio transfer without recourse agreements on certain portfolios of impaired loans to individuals, without associated collateral, for a nominal amount of EUR 131,925 thousand and EUR 32,021 thousand, respectively, which included capital, interest and other capitalised items (the cutoff dates established were 8 March and 9 June 2022). The final value of the sales amounted to EUR 34,920 thousand, giving rise to a net gain of EUR 5,833 thousand, which was recognised under "Impairment or (-) Reversal of Impairment on Financial Assets Not Measured at Fair Value Through Profit or Loss - Financial Assets at Amortised Cost" in the accompanying statement of profit or loss for 2022.

Sale of portfolio of refinanced assets

On 23 December 2022, the Company entered into a purchase and sale and portfolio transfer without recourse agreement on a portfolio of refinanced loans (reunification of debt relating to products granted by the Company), without associated collateral, for a nominal amount of EUR 105,430 thousand, which included capital, interest and other capitalised items (the cutoff date established was 19 December 2022). The final value of the sale amounted to EUR 105,430 thousand, giving rise to a net gain of EUR 7,442 thousand, which was recognised under "Impairment or (-) Reversal of Impairment on Financial Assets Not Measured at Fair Value Through Profit or Loss - *Financial Assets at Amortised Cost*" in the accompanying statement of profit or loss for 2022.

Sale of a "performing" asset portfolio

On 11 December 2023, the Company entered into a purchase and sale and portfolio transfer without recourse agreement on a "performing" loan portfolio, without associated collateral, for a nominal amount of EUR 87,143 thousand, which included capital, interest and other capitalised items (the cutoff date established was 31 October 2023). The final value of the sale amounted to EUR 87,143 thousand, giving rise to a net gain of EUR 4,355 thousand, which was recognised under "Impairment or (-) Reversal of Impairment on Financial Assets Not Measured at Fair Value Through Profit or Loss - *Financial Assets at Amortised Cost*" in the accompanying statement of profit or loss for 2023.

(Figures expressed in thousands of euros)

7.3. Breakdown by age of past-due, impaired and unimpaired assets

Following is a detail of the financial assets classified as "Financial Assets at Amortised Cost - Loans and Advances" and considered to be impaired due to credit risk at 31 December 2023 and 2022, classified by age of the oldest past-due amount of each transaction:

	Thousands of euros					
	With balances past due by					Total
	Less than 90 days	90 to 180 days	180 days to 1 year	1 to 2 years	2 to 5 years	
2023	11,606	52,761	92,961	17,510	18,184	193,022

	Thousands of euros					
	With balances past due by					Total
	Less than 90 days	90 to 180 days	180 days to 1 year	1 to 2 years	2 to 5 years	
2022	17,752	47,521	78,518	14,717	17,201	175,709

All the past-due assets are classified as other resident sectors, taking into account the counterparty risk, and are all concentrated in Spain.

8.Tangible assets

All the tangible assets recognised in the balance sheets as at 31 December 2023 and 2022 are classified as for own use. The changes in 2023 and 2022 in “Tangible Assets” in the balance sheet, by type of asset, were as follows:

	Thousands of euros			
	Balances at 31/12/22	Additions or charge	Reductions	Balances at 31/12/23
Cost:				
Furniture and office equipment	291	--	--	291
IT equipment	985	6	--	991
Fixtures	646	--	--	646
Other items of property, plant and	103	--	--	103
Total cost	**2,025**	6	--	**2,031**
Accumulated depreciation:				
Furniture and office equipment	(230)	(22)	--	(252)
IT equipment	(971)	(13)	--	(984)
Fixtures	(643)	(1)	--	(644)
Other items of property, plant and	(75)	(8)	--	(83)
Total accumulated depreciation	**(1,919)**	(44)	--	**(1,963)**
Tangible assets, net	**106**	(38)	--	**68**

(Figures expressed in thousands of euros)

	Thousands of euros			
	Balances at 31/12/21	Additions or charge	Reductions	Balances at 31/12/22
Cost:				
Furniture and office equipment	291	--	--	291
IT equipment	983	2	--	985
Fixtures	646	--	--	646
Other items of property, plant and	103	--	--	103
Total cost	**2,023**	2	--	**2,025**
Accumulated depreciation:				
Furniture and office equipment	(208)	(22)	--	(230)
IT equipment	(949)	(22)	--	(971)
Fixtures	(642)	(1)	--	(643)
Other items of property, plant and	(67)	(8)	--	(75)
Total accumulated depreciation	**(1,866)**	(53)	--	**(1,919)**
Tangible assets, net	**157**	(51)	--	**106**

Circular 4/2019 indicates that credit finance establishments must apply the accounting criteria defined in Bank of Spain Circular 4/2017 to leases. In this regard the Company recognised on first-time application the impact of the lease of the head office building the Company had in Madrid (see Note 1.4). In 2020 the Company moved to the building leased by another Group company (accordingly, the Company derecognised both the right-of-use asset and the liability recognised in this connection). At present the Group company rebills the square metres of office space used by the Company.

The fully depreciated tangible assets amounted to EUR 1,690 thousand at 31 December 2023 (31 December 2022: EUR 1,633 thousand).

At 31 December 2023 and 2022, the Company had not arranged any rights to use assets under finance leases. The Company takes out insurance policies to cover the possible risks to which its non-current assets are subject. The Company's directors consider that there is sufficient coverage of the risks of the Company's own activities.

The Company did not recognise any impairment losses in this connection in 2023 or 2022.

(Figures expressed in thousands of euros)

9.Intangible assets

The changes in 2023 and 2022 in "Intangible Assets" in the accompanying balance sheets, distinguishing between the cost of the assets and the related accumulated amortisation, were as follows:

	Thousands of euros				
	Balances at 31/12/22	**Additions or charge for the year**	**Reductions**	**Transfers**	**Balances at 31/12/23**
Cost:					
Computer software	62,563	2,607	(53)	4,256	69,373
Intangible assets in progress	5,502	6,946	--	(4,256)	8,192
Accumulated amortisation:					
Computer software	(44,757)	(8,102)	--	--	(52,859)
Intangible assets, net	**23,308**	**1,450**	**(53)**	**--**	**24,706**

	Thousands of euros				
	Balances at 31/12/21	**Additions or charge for the year**	**Reductions**	**Transfers**	**Balances at 31/12/22**
Cost:					
Computer software	52,537	5,165	(829)	5,690	62,563
Intangible assets in progress	5,066	6,137	(11)	(5,690)	5,502
Accumulated amortisation:					
Computer software	(38,251)	(7,329)	823	--	(44,757)
Intangible assets, net	**19,352**	**3,973**	**(17)**	**--**	**23,308**

At 31 December 2023, there were intangible assets in use with a gross value of approximately EUR 39,205 thousand (31 December 2022: EUR 31,125 thousand) that had been fully amortised.

In 2023 no disposals took place giving rise to losses. In 2022 there were disposals giving rise to losses of EUR 17 thousand, which were recognised under "Impairment or (-) Reversal of Impairment on Non-Financial Assets - *Intangible Assets*" in the accompanying statement of profit or loss.

The Company did not recognise any impairment losses in this connection in 2023 or 2022.

(Figures expressed in thousands of euros)

10. Financial liabilities at amortised cost

Note 16 contains a detail of the maturities of the balances of this item in the accompanying balance sheets as at 31 December 2023 and 2022.

10.1. Deposits from credit institutions

The detail, by type of transaction, of "Deposits from Credit Institutions" in the balance sheets is as follows:

	Thousands of euros	
	31/12/23	**31/12/22**
Demand deposits		
Demand deposits (Note 16)	330	163
Time or notice deposits:		
Time deposits (Note 16)	1,202,143	1,323,779
Valuation adjustments (*)	6,765	3,332
Total, net	**1,209,238**	**1,327,274**

(*) The above adjustments relate to the accrued interest.

These amounts include the balance drawn down from the credit lines granted to the Company, all of which are denominated in euros. At 31 December 2023, the interest borne in the year on the credit lines totalled EUR 53,421 thousand (31 December 2022: EUR 14,850 thousand) (see Note 24). The accrual of interest does not include the gain or loss arising from the settlement of hedging instruments the Company has arranged with a Group company which at 31 December 2023 resulted in a loss of EUR 5,943 thousand (31 December 2022: a loss of EUR 3,090 thousand) (see Note 24).

The annual average interest rate borne by the Company in 2023 was 3.85% (2022: 1.05%).

At 31 December 2023 the Company had credit lines with an unused drawable balance of EUR 822,857 thousand (31 December 2022: EUR 676,221 thousand).

(Figures expressed in thousands of euros)

10.2. Customer deposits

Due to the Company's status as a credit finance establishment it may not attract deposits from the public. The detail of "Customer Deposits" at 31 December 2023 and 2022 is as follows:

	Thousands of euros	
	31/12/23	31/12/22
Customer deposits - Ownership interests issued	**414,000**	**414,000**
Valuation adjustments	**184**	**--**
Issue premium	**--**	**303**
Ownership interests issued	414,000	414,303
Cash received	*621,908*	*604,428*
Less: treasury ownership interests issued	*(207,908)*	*(190,125)*
	414,184	**414,303**

"Customer Deposits - Ownership Interests Issued", includes EUR 566,000 thousand at 31 December 2023 and 2022, of the ownership interests issued relating to the balancing item of the securitisations, plus the amount of the subordinated loan issued by the Company (see Note 6), the balance of which totalled EUR 55,908 thousand at 31 December 2023 (31 December 2022: EUR 38,125 thousand), the risk of which had not been transferred substantially and, therefore, they were not derecognised (see Note 2). This amount is presented net of the bonds issued by the securitisation funds which were acquired by the Company for EUR 152,000 thousand at 31 December 2023 and 2022, plus the EUR 55,908 thousand of the subordinated loan granted by the Company to the securitisation fund (31 December 2022: EUR 38,125 thousand). It also includes the amount of the issue premium paid by Carrefour Banque, S.A., of EUR 1,245 thousand which is amortised over two years, amounting to EUR 303 thousand at 31 December 2022 (fully amortised at 31 December 2023).

This transaction was carried out to improve the management of the liabilities and strengthen the Company's balance sheet.

10.3. Other financial liabilities

The detail of "Other Financial Liabilities" in the accompanying balance sheets as at 31 December 2023 and 2022 is as follows:

	Thousands of euros	
	31/12/23	31/12/22
Payable to Group companies and associates (Note 27)	18,080	16,472
Tax payables and accrued social security taxes payable	660	691
Financing payable to Sistema 4B, S.A. and Master Card	13,391	15,567
Other payables and payable to suppliers	15,360	23,335
Other items - Unreceived invoices	80	845
	47,571	**56,910**

11. Provisions for contingent liabilities and commitments and Other provisions

The changes in 2023 and 2023 and the purpose of the provisions recognised under this item in the balance sheets as at 31 December 2023 and 2022 were as follows:

(Figures expressed in thousands of euros)

	Thousands of euros	
	Provisions - Commitments and guarantees given	**Other provisions**
Balances at 1 January 2023	*5,413*	*66,650*
Period provision charged to income:		
Period provisions	(405)	10,499
Provisions reversed with a credit to income:		
Reversal of provisions	--	(4,597)
Use of provisions - Payments	--	(21,586)
Balances at 31 December 2023	**5,008**	**50,966**
Of which:		
Provisions for contingent commitments	*5,008*	--
Litigation and other claims	--	*50,966*

	Thousands of euros	
	Provisions - Commitments and guarantees given	**Other provisions**
Balances at 1 January 2022	3,827	88,257
Period provision charged to income:		
Period provisions	1,586	6,750
Provisions reversed with a credit to income:		
Reversal of provisions	--	(1,992)
Use of provisions - Payments	--	(26,365)
Balances at 31 December 2022	**5,413**	**66,650**
Of which:		
Provisions for contingent commitments	*5,413*	--
Litigation and other claims	--	*66,650*

The value adjustments relating to off-balance-sheet commitment exposures (the drawable amount of revolving credit products) provided for on the basis of the current provisioning model in accordance with the accounting regulations applicable to the Company are recognised under "Provisions - Commitments and Guarantees Given".

The financial industry is subject to increasing regulatory pressure and litigation. In this context, the Company is frequently party to court proceedings arising from the ordinary course of its business. In line with the procedural stage reached by such proceedings and the opinion of the legal counsel leading them, the Company considers none of them to be material, either individually or in the aggregate, and that they will not have a significant impact either on the results of the Company's operations or on its liquidity or financial position. Company management considers that the provisions recognised in relation to these court proceedings in progress at 31 December 2023 to be sufficient.

Spanish Supreme Court Judgement 149/2020 "Revolving Credit - Usury"

The Civil Chamber of the Supreme Court handed down judgment 149/2020, of 4 March (Appeal (CAS) 4813/2019), in relation to the normal interest on money that is to be used to determine whether or not the remunerative interest on revolving credit is usurious in the context of a case in favour of the claimant, with interest rates above those offered by the Pass credit card.

The Company proceeded to analyse the Supreme Court judgment and to monitor the developments in the claims on this matter. In 2021 it observed a growing number of claims from individual customers and an increase in judgments unfavourable to the Company in relation to the claims filed by customers against the Company on the grounds that the remunerative interest charged by the Company on revolving credit was usurious. The Company's directors identified a risk of an increase in a possible outflow of resources. In view of this scenario, management developed a methodology for estimating the risk of future losses relating to customers who could potentially file a claim.

The estimate was performed on the basis of the following assumptions:

- Estimate of the claims by customers which will be received in the coming years, considering a time horizon in line with other similar claims brought to date, based on a segmentation of the customer portfolio and the likelihood of customers lodging a claim based on historical trends.

- Estimate of the impacts arising from the judgments and agreements, including the legal costs, based on historical data.

Senior management will continue to monitor these claims on an ongoing basis in 2024 as new information becomes available. In line with internal policies, the estimate will be recalibrated at least once a year based on the best information available.

This provision amounted to EUR 50,852 thousand at 31 December 2023 (31 December 2022: EUR 66,420 thousand).

As indicated in Note 2.9 a joint claim was filed against the Company for certain clauses of the revolving credit card contract to be declared null and void for being abusive and lacking in transparency. On 16 June 2021, a judgment favourable to the Company's interests was handed down, against which an appeal was lodged at a superior court. In September 2022 the Provincial Appellate Court dismissed substantially in full the appeal filed by Asufin, thus confirming the first-instance judgment. In doing so, the Court declared the Pass card contract to be valid, with the exception of two of its clauses, the deficiencies of which have already been remedied by the Company and whose economic impact is very small or potentially nil. Asufin has filed a cassation appeal against this further judgment contrary to its interests. The Company's directors consider that there is a remote possibility that this appeal might give rise to a loss for the Company.

(Figures expressed in thousands of euros)

12. Derivatives - hedge accounting

Cash flow hedges

At 31 December 2023 and 2022 the main positions hedged by the Company and the derivatives allocated to hedge these positions relate to hedges of floating interest rate deposits using interest rate derivatives, cash flow hedges of future commitments.

The detail, by type of product, of the fair value and notional amount of the derivatives designated as hedging instruments in cash flow hedges at 31 December 2023 and 2022 is as follows:

- At 31 December 2023

	Thousands of euros		
	Fair value		Notional amount
	Assets	Liabilities	
Cash flow hedges			
Interest rate	14,395	2,420	712,000

- At 31 December 2022

	Thousands of euros		
	Fair value		Notional amount
	Assets	Liabilities	
Cash flow hedges			
Interest rate	33,268	1,288	734,000

The changes in fair value recognised in "Accumulated Other Comprehensive Income" of the cash flow hedges at 31 December 2023 and 2022 were as follows:

	Thousands of euros	
	2023	2022
Balance at beginning of year	21,120	287
Amounts recognised in OCI		
Changes in fair value	(19,008)	29,761
Transferred to profit or loss	(2,795)	--
Taxes	6,541	(8,928)
Balance at end of year	**5,858**	**21,120**

(Figures expressed in thousands of euros)

The hedges are highly effective. The Company performs and documents the corresponding analyses to verify that at the beginning and at the end of their lives, it can be expected, prospectively, that the changes in the fair value or cash flows of the hedged items attributable to the hedged risk will be offset by the changes in the fair value or cash flows of the hedging instrument.

As a result of the sale of the performing asset portfolio for a nominal amount of EUR 87,143 thousand (see Note 7.2), the corresponding sale of the hedging derivatives associated with the financing of that portfolio was carried out, thereby discontinuing the hedge accounting and, in accordance with Bank of Spain Circular 4/2017, the amount of EUR 2,795 thousand relating to the valuation adjustment made to the hedging instrument recognised in "Accumulated Other Comprehensive Income" was recognised in the statement of profit or loss in "Gains or (-) Losses from Hedge Accounting, Net".

The schedule of the expiry of the notional amounts of the hedging instruments at 31 December 2023 is as follows:

	Thousands of euros						
	2024	2025	2026	2027	2028	2029	TOTAL
Cash flow hedges							
Interest rate	242,000	15,000	325,000	--	50,000	80,000	712,000

13. Other assets and other liabilities

The detail of "Other Assets" and "Other Liabilities" in the accompanying balance sheets as at 31 December 2023 and 2022 is as follows:

	Thousands of euros			
	Assets		Liabilities	
	31/12/23	31/12/22	31/12/23	31/12/22
Prepayments and accrued(*)	13,674	20,182	11,080	11,880
Remuneration payable	--	--	1,024	1,192
Other items	5,721	7,030	--	--
	19,395	**27,212**	**12,104**	**13,072**

(*) At 31 December 2023 and 2022, EUR 3,945 thousand and EUR 3,945 thousand, respectively, of accruals and deferred income related to unreceived invoices from Group companies or associates (see Note 27).

(Figures expressed in thousands of euros)

14. Equity

14.1. Shareholders' equity

"Shareholders' Equity" in the accompanying balance sheets includes the amounts of equity relating to the contributions made by the shareholders, the accumulated profits or losses recognised in the statement of profit or loss and other equity instruments classified in equity.

14.1.1. Share capital

At 31 December 2023 and 2022, the share capital was represented by 3,089,424 fully subscribed and paid registered shares, with a par value of EUR 6.01 each, all carrying the same dividend and voting rights and with no restrictions on their transferability. At 31 December 2023 and 2022, the Company's shareholders were as follows:

	Percentage of ownership
Centros Comerciales Carrefour, S.A.	55.92%
BNP Paribas Personal Finance, S.A.	37.28%
Carrefour Banque, S.A. (formerly Société des Paiements Pass, S.A.)	6.80%
	100.00%

14.1.2. Share premium

The Consolidated Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

14.1.3. Retained earnings and other reserves

The detail of "Retained Earnings" and "Other Reserves" in the accompanying balance sheets as at 31 December 2023 and 2022 is as follows:

	Thousands of euros	
	2023	**2022**
Legal reserve	3,713	3,713
Voluntary reserve	172,785	212,785
Other reserves	(1,527)	(1,357)
Balance at end of year	**174,971**	**215,141**

14.1.3.1 Legal reserve

Under the Consolidated Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve. These transfers must be made until the balance of this reserve reaches 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose. At 31 December 2023 and 2022, the legal reserve represented 20% of the share capital.

14.1.3.2 Voluntary reserve

The Parent's voluntary reserves are unrestricted at 31 December 2023 and 2022 since there are no losses from prior years which have not yet been offset and are subject to the requirements relating to shareholders' equity.

14.1.4. Dividends

On 22 March 2024, the Board of Directors which prepares the Company's financial statements proposed for approval by the Annual General Meeting the distribution of an interim dividend out of the profit for 2023 of a gross amount of EUR 34,571 thousand.

On 20 December 2023, the General Meeting approved the distribution of a final dividend out of reserves of EUR 40,009 thousand.

On 31 March 2023, the Board of Directors which prepares the Company's financial statements proposed for approval by the Annual General Meeting the distribution of an interim dividend out of the profit for 2022 for a gross amount of EUR 66,824 thousand.

On 21 December 2022, the General Meeting approved the distribution of a final dividend out of reserves of EUR 40,008 thousand.

On 30 June 2022, the General Meeting approved the distribution of an interim dividend out of profit for 2021 of a gross amount of EUR 42,720 thousand. In addition, the General Meeting approved the distribution of a final dividend out of reserves of a gross amount of EUR 25,741 thousand.

The Company evaluated the availability of sufficient liquidity to meet the payment on the corresponding dates of the dividends proposed by the Board of Directors and approved by the General Meeting, by means of appropriate treasury management, mainly through the credit facility with Carrefour Banque, S.A., the drawable balance of which enables the correct management thereof so that the Company may meet its payment obligations.

14.2. Accumulated other comprehensive income

"Accumulated Other Comprehensive Income" in the accompanying balance sheets as at 31 December 2023 and 2022 includes the net amount of changes in the fair value of the cash flow hedges which, as stated in Note 2, must be recognised in equity, the net amount of which totalled EUR 5,858 thousand at 31 December 2023 (31 December 2022: EUR 21,120 thousand). It also includes the changes in fair value of the assets recognised under "Financial Assets at Fair Value Through Other Comprehensive Income" (see Note 5) which amounted to EUR 423 thousand at 31 December 2023 (31 December 2022: EUR 271 thousand).

(Figures expressed in thousands of euros)

15. Tax matters

15.1. Reconciliation of the accounting profit to the taxable profit

The reconciliation of the net income tax payable is as follows:

	Thousands of euros	
	2023	2022
Profit before tax	48,095	95,349
Income tax at 30%	14,428	28,605
Effect of permanent differences:		
Other	(54)	92
Tax credits	--	--
Current income tax expense recognised in the statement of profit or loss	14,374	28,697
Deferred taxes for the year	35,235	39,614
Deferred taxes from prior years	(39,648)	(47,747)
Income tax charge	9,961	20,564
Tax credits	--	--
Prepayments and other	8,981	(18,762)
Net income tax payable (1)	**980**	**1,802**

(1) These amounts are recognised under "Current Tax Liabilities" in the accompanying balance sheets as at 31 December 2023 and 2022, respectively.

The reconciliation of the income tax expense for 2023 and 2022 resulting from the application of the standard tax rate in force in Spain to the income tax expense recognised is as follows:

	Thousands of euros	
	2023	2022
Accounting profit before tax	48,095	95,349
Permanent differences base	(181)	307
Temporary differences base	(14,712)	(27,110)
Taxable profit	**33,202**	**68,546**
Gross tax payable (30%)	**(9,961)**	**(20,564)**
Adjustment to the tax charge from prior years	824	181
Current income tax expense for the year	**(9,137)**	**(20,383)**
Temporary differences benefit	(4,413)	(8,133)
Adjustments for temporary differences from prior years	33	--
Temporary differences expense/(benefit) from prior years	**(4,380)**	**(8,133)**
Current income tax expense	**(13,517)**	**(28,516)**

(Figures expressed in thousands of euros)

15.2. Deferred taxes

Pursuant to the tax legislation in force applicable to the Company, in 2023 and 2022 certain temporary differences arose that must be taken into account when quantifying the related income tax expense. The deferred taxes arose in 2023 and 2022 as a result of the following:

	Thousands of euros	
	2023	**2022**
Deferred tax assets arising from:	**35,679**	**39,930**
Impairment losses on loans and receivables	19,363	19,166
Provision for legal contingencies (*)	15,256	19,926
Financial instruments	377	281
Other items	683	557
Deferred tax liabilities arising from:	**(3,102)**	**(9,448)**
Financial instruments	(3,102)	(9,448)

(*) Due mainly to the provision for usury (Note 11)

15.3 Tax recognised in equity

The taxes recognised directly in equity in the accompanying balance sheets as at 31 December 2023 and 2022 arose from the valuation of the cash flow hedges arranged by the Company with a Group company (see Note 2.1.10), and the equity instruments (see Note 5), the detail of which is as follows:

	Thousands of euros				
	31/12/21	**Net change**	**31/12/22**	**Net change**	**31/12/23**
Deferred tax assets /(liabilities):					
Arising in the year:					
Cash flow hedges	(123)	(8,928)	(9,051)	6,541	(2,510)
Equity instruments	(112)	(4)	(116)	(65)	(181)
Total deferred taxes	**(235)**	**(8,932)**	**(9,167)**	**6,476**	**(2,691)**
Total tax recognised directly in equity					**(2,691)**

The deferred taxes recognised in relation to the valuation of the hedging instruments are recognised in “Deferred Tax Assets” and “Deferred Tax Liabilities” in the accompanying balance sheet.

15.4. Provisions for taxes

At 31 December 2023 and 2022 no provisions for taxes that could arise from the years open for review had been recognised.

At 31 December 2023, the tax returns filed in the last four years are subject to review by the tax authorities and, therefore, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired.

Due to the varying interpretations that can be made of the tax legislation applicable to the transactions performed by the Company for the years open for review, certain contingent tax liabilities might arise which cannot be objectively quantified. However, the Company's directors consider that the tax debt that might arise therefrom would not materially affect these financial statements taken as a whole.

16.Liquidity risk exposure

The Company manages the liquidity risk inherent to its activity and to its financial instruments to ensure that it has sufficient liquidity at all times to meet its payment obligations associated with the settlement of its liabilities on the respective maturity dates, without compromising its capacity to ensure both the refinancing of all the loans to and receivables from third parties and maintain a normal level of activity in the event of a liquidity crisis. The exercise of this function is supported by the systematic monitoring of various liquidity measures, one of the most significant of which is called the "liquidity gap".

To carry on its activity the Company requires external financing for which the main sources are the Carrefour Group and the financial markets.

The sensitivity analysis performed entailed the analysis of the impact on equity and profit or loss in the event of a change in interest rates. With respect to obtaining liquidity, the Company is financed mainly through credit facilities and the securitisation of the collection rights on cards.

For each financing product offered by the Company the interest rate risk is measured according to the cumulative balance receivable in each period and the aim is to cover it using internal financing, borrowings and equity. The financing needs are projected taking into account the possibility of the early repayment by customers based on the historical data of available years, updated each month, as well as other variables that could affect the amount to be covered.

The Company includes in its liquidity management the monitoring of short-term regulatory ratios, such as the liquidity coverage ratio (LCR), and long-term ratios, such as the net stable funding ratio (NSFR). These ratios are also included in the liquidity metrics of the risk appetite framework (RAF).

(Figures expressed in thousands of euros)

The entry into force in 2022 of Bank of Spain Circular 1/2022, of 24 January, implemented the liquidity obligations of credit institutions and stipulated that they must maintain a liquidity buffer to cover their outflows of liquidity during a sufficiently extensive period of stress in the financial markets and an appropriate structure of financing sources and of the maturities of their assets, liabilities and obligations with the aim of avoiding any potential liquidity imbalances or tensions that could damage or jeopardise their financial position.

Pursuant to the above rules, the Company includes in its liquidity management the monitoring of short-term regulatory ratios, such as the liquidity coverage ratio (LCR), and long-term ratios, such as the net stable funding ratio (NSFR), which at 31 December 2023 stood at 177.3% and 246.8%, respectively (31 December 2022: 217.7% and 300.1%).

In the liquidity statement the Company applies the minimum limit of 5% of gross liquidity outflows, instead of the general limit of 10% as it meets the requirements of Section 2 of Rule 12 of Circular 1/2022.

The liquidity gap takes into account the classification, by maturity, of the outstanding principal of the financial assets and liabilities, excluding any valuation adjustments, taking as reference the periods between the reference date and the contractual maturity dates. The liquidity gap at 31 December 2023 and 2022 is as follows:

	Balances at 31/12/23 (Thousands of euros)							
	Demand deposits	**Up to 1 month**	**Between 1 month and 3 months**	**Between 3 months and 6 months**	**Between 6 months and 1 year**	**Between 1 year and 5 years**	**More than 5 years**	**Total**
Assets:								
Cash, cash balances at central banks and other demand deposits	21,167	-	-	-	-	-	-	21,167
Financial assets at amortised cost								
Loans and advances (*)	4,224	205,309	32,220	52,108	143,017	1,120,505	588,209	2,145,592
Other assets with maturities	2,954	3,958	71	-	-	10,454	146	17,583
Liabilities:								
Financial liabilities at amortised cost								
Deposits from credit institutions	330	401,765	590,000	0	217,143	0	0	1,209,238
Customer deposits (**)		184				414,000		414,184
Other liabilities with maturities		47,501	10,738	785	1,218			60,242
Gap	28,015	(240,183)	(568,447)	51,323	(75,344)	716,960	588,355	500,678
Cumulative gap	28,015	(212,168)	(780,615)	(729,292)	(804,636)	(87,677)	500,678	

(*) Of which EUR 983,821 thousand relate to credit cards, the maturities of which were estimated by reference to the outstanding doubtful balance distributed over the number of instalments contracted.
(**) Relates to the deposits relating to the securitisation (Note 10.2) with no fixed maturity date.

(Figures expressed in thousands of euros)

	Balances at 31/12/22 (Thousands of euros)							
	Demand deposits	Up to 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Assets:								
Cash, cash balances at central banks and other demand deposits	27,316	-	-	-	-	-	-	27,316
Financial assets at amortised cost								
Loans and advances (*)	11,729	201,026	30,161	53,962	153,447	1,207,518	653,609	2,311,452
Other assets with maturities	10,562	5,132	398	-	-	8,736	146	24,974
Liabilities:								
Financial liabilities at amortised cost								
Deposits from credit institutions	163	738,332	369,000	-	219,779	-	-	1,327,274
Customer deposits (**)	-	-	-	-	-	414,000	-	414,000
Other liabilities with maturities	-	55,729	-	-	1,801	-	-	57,530
Gap	49,444	(587,903)	(338,441)	53,962	(68,133)	802,254	653,755	564,938
Cumulative gap	49,444	(538,459)	(876,900)	(822,938)	(891,071)	(88,817)	564,938	

(*) Of which EUR 1,047,438 thousand relate to credit cards, the maturities of which were estimated by reference to the outstanding doubtful balance distributed over the number of instalments contracted.
(**) Relates to the deposits relating to the securitisation (Note 10.2) with no fixed maturity date.

In relation to the calculation of the gap of the total balance sheet included in the above tables, it should be noted that it takes into account the contractual maturities of the transactions according to their residual maturity periods, excluding any assumptions concerning the renewal of the assets and/or liabilities. At financial institutions which have a high level of retail financing, the terms of assets are longer than those of liabilities and, therefore, a negative gap arises in the short term, although it should be noted that the Company has a high capacity for refinancing its liabilities, which guarantees a stable duration of the financing over time.

17. Fair value of assets and liabilities

The loans and receivables and the investments in associates are recognised in the accompanying balance sheets at amortised cost.

Likewise, except for the financial liabilities held for trading, the Company's financial liabilities are recognised in the accompanying balance sheets at amortised cost.

17.1. Financial assets measured at other than fair value

The valuation performed by discounting the future cash flows of loans and credits at the zero-coupon rate plus a risk premium does not differ significantly from the value recognised in “Financial Assets at Amortised Cost” in the accompanying balance sheets as at 31 December 2023 and 2022.

17.2. Financial liabilities measured at other than fair value

At 31 December 2023 and 2022, the fair value of the Company's financial liabilities, calculated by discounting the future cash flows at the market zero-coupon rates is practically the same as their carrying amount.

18.Credit risk exposure

The maximum credit risk exposure, as regards the loans and credits granted to customers, is the full amount of the risk exposure to the customers, since the Company does not require any type of collateral from its customers or use credit risk hedging instruments.

In addition, at 31 December 2023, the Company had off-balance sheet loan commitments relating to the amounts drawable by customers on their credit cards totalling EUR 3,495,054 thousand (31 December 2022: EUR 4,060,850 thousand (see Note 22.2).

At 31 December 2023, the coverage rate, i.e., the amount of the funds for the coverage of credit losses of the total non-performing assets, was 99.62% (31 December 2022: EUR 102.2%).

18.1. Real estate exposure

Given the Company's activity, neither at 31 December 2023, nor at 31 December 2022, nor during those years, did the Company recognise any transactions for the financing of the construction or development of real estate and did not acquire any assets in payment of debts.

18.2. Creditworthiness of the financial assets subject to credit risk

To analyse a transaction the following criteria and scoring system are taken into account. An application is made with the data of the potential customer in the various applications according to the acceptance channel, which are programmed with all the values and criteria for granting credit for automatic approval or rejection.

Firstly the score, which is made up of the customer's economic, professional and personal data, is verified:

1. Economic data: monthly income reflected in the income document provided by the customer.

2. Professional data: length of employment and professional category.

3. Personal data: age, family situation, dependent children, type of home.

Once the score has been verified (weighting of the above data), all the authorisation criteria are applied and, once checked, the debtors' register of the Spanish National Association of Financial Credit Institutions ("ASNEF") is consulted to see whether or not the potential customer is included in it.

At 31 December 2023 the non-performing loans ratio was 9.30% (31 December 2022: 7.79%), with a coverage level based on specific allowances of 76.92% (31 December 2022: 72.07%) of that non-performing portfolio.

(Figures expressed in thousands of euros)

19. Interest rate risk exposure

Hedging interest rate risk is a basic necessity for the Company since, because of the type of its business, it is vital to ensure that it retains a sufficient financial margin.

In general terms, the safeguard of the financial margin against fluctuations in interest rates is based on the application of a method that tends towards convergence regarding the maturities of financial assets and liabilities.

To achieve this objective, interest rate risk is hedged by matching Euribor drawdowns and capital with asset maturities.

The interest rates on the transactions are as follows:

1. Financial institutions:

In 2023 the annual average effective interest rate on the interest-bearing current accounts held by the Company was approximately 3.03% (2022: 0.00%). With respect to the bank liabilities, the annual average interest rate borne by the Company in 2023 was 3.85% (2022: 1.05%).

2. Customers:

The average interest rate applied to the products recognised under "Financial Assets at Amortised Cost - Loans and Advances" in the accompanying balance sheets as at 31 December 2023 and 2022, broken down by product, was as follows:

	2023	2022
Credit card	19.51%	18.02%
Consumer credit	6.59%	6.75%
Personal loan	9.01%	8.79%

In 2023 the interest rate on the credit card was increased to adapt to the current market interest rates.

19.1. The sensitivity of the equity and profit or loss to changes in interest rates

The Company estimates that a 100 basis point shift in interest rates would have altered its profit before tax for 2023 by 4.45% (2022: 4.01%). This ratio was calculated for a time horizon of one year, taking into account both the current positions and the growth projections. The estimate considered the possibility of transferring that market change to the Company's new lending portfolio, and of exercising the contractual power to change the interest rate on the revolving credit, subject to three months' notice.

(Figures expressed in thousands of euros)

20. Exposure to other market and operational risks

The Company does not have any other market risks since it is not exposed to the effects of future reasonable changes in foreign exchange rates and does not hold any equity instruments or quoted commodities.

To mitigate operational risk the Company has an operational continuity plan from an IT standpoint and a contingency plan that covers any potential incidents not related to IT.

21. Concentration risk

The Company only operates in Spain, all its transactions are performed in euros and it grants financing solely to individuals. The customer balances are all of very minor amounts in relation to the entire portfolio recognised in "Financial Assets at Amortised Cost - Loans and Advances" in the accompanying balance sheet and, therefore, the Company considers that no concentration risk exists.

22. Other significant disclosures

22.1. Other commitments given

The Company is secondarily liable for the debts of Cetelem Servicios Informáticos, A.I.E. and Cetelem Gestión, A.I.E. At 31 December 2023 and 2022, the maximum amount for which the Company is liable is calculated as the amount of the debts of Cetelem Servicios Informáticos, A.I.E. and of Cetelem Gestión A.I.E., excluding the balances in favour of the Company, the detail being as follows:

	Thousands of euros	
	2023	**2022**
Other commitments given (Note 27)	16,884	23,295

The Company considers it a remote possibility that it will become liable for the debts of either company and, therefore, it has not recognised any liabilities for this amount, except for the balance of the standard risk provision recognised in accordance with Annex 9 of Bank of Spain Circular 4/2017, associated with the contingent liabilities and the charge corresponding to the Company, which totals EUR 354 thousand at 31 December 2023 (31 December 2022: EUR 475 thousand) and is recognised in "Provisions for Contingent Liabilities and Commitments" in the accompanying balance sheet . At the end of 2023 and 2022 this provision was calculated by applying the coverage percentage corresponding to Stage 1 in accordance with the Company's internal provisioning methodology described in Notes 2.1.9 and 7.

(Figures expressed in thousands of euros)

22.2. Drawable by third parties

The balances drawable at 31 December 2023 and 2022, i.e., the difference between the credit limits available to borrowers and the amounts actually drawn down by them, were as follows:

	Thousands of euros	
	2023	2022
Immediately drawable: Amounts drawable by customers on credit cards (Note 17)	3,495,054	4,060,850

23. Interest income

The detail of the main items of interest income earned by the Company in 2023 and 2022, which are recognised in "Interest Income" in the accompanying statements of profit or loss, is as follows

	Thousands of euros	
	2023	2022
Loans and credit to customers	236,715	235,222
Non-performing assets	3,805	2,027
Rectification of hedges	21,177	3,904
Other	63	--
	261,760	**241,153**

24. Interest expenses

The detail of "Interest Expenses" in the accompanying statements of profit or loss for the years ended 31 December 2023 and 2022 is as follows:

	Thousands of euros	
	2023	2022
Deposits from credit institutions (Note 10.1)	53,421	14,850
Ownership interests issued	9,235	1,417
Hedges (Note 10.1)	5,943	3,090
	68,599	**19,357**

"Deposits from Credit Institutions" relates in full to the interest expense and similar charges from credit institutions corresponding to the balance drawn down by the Company from credit facilities (see Note 10), while the balance included in "Hedges" relates to any interest borne on the settlements of the hedges of its debt recognised by the Company.

In addition, "Ownership Interests Issued" (see Note 6) includes the interest paid to a company belonging to the Carrefour Group for the class A bond issued by the securitisation fund and the issue costs of that bond.

(Figures expressed in thousands of euros)

Of the total interest expense recognised in "Interest Expenses" at 31 December 2023, EUR 55,122 thousand (31 December 2022: EUR 15,069 thousand) accrued with respect to a company belonging to the Carrefour Group (see Note 27).

25. Fee and commission income and expenses

The detail of "Fee and Commission Income" and "Fee and Commission Expenses" in the statements of profit or loss is as follows:

	Thousands of euros	
	2023	2022
Fee and commission income:		
On factoring transactions	279	492
On the collection of insurance premiums	35,437	35,152
On 4B card transactions	27,647	29,466
Fees and commissions received from the Carrefour Group (Note 27)	4,042	3,883
Other fees and commissions	7,033	5,828
	74,438	**74,821**
Fee and commission expense:		
On banking services	921	1,735
On card transactions	11,017	11,486
Fees and commissions paid to Carrefour Group companies (Note 27)	207	295
Other	2,442	2,771
	14,587	**16,287**

In addition, in 2023 fees and commissions charged to customers amounting to EUR 8,315 thousand (2022: EUR 7,478 thousand) were earned and fees and commissions were paid to the Carrefour Group in the amount of EUR 25,053 thousand (2022: EUR 32,820 thousand), adjusting the interest income on the loans with which they are associated (see Note 27).

26. Administrative expenses

The detail of "Administrative Expenses" in the statements of profit or loss for 2023 and 2022 is as follows:

	Thousands of euros	
	2023	2022
Staff costs	9,783	9,389
Other administrative expenses	61,253	63,468
	71,036	**72,857**

(Figures expressed in thousands of euros)

26.1Staff costs

The detail of "Staff Costs" in the statements of profit or loss for 2023 and 2022 is as follows:

	Thousands of euros	
	2023	2022
Wages and salaries	6,815	6,625
Social security contributions	1,954	1,787
Other staff costs	1,014	977
	9,783	**9,389**

The average number of employees at the Company, by professional category, at the end of 2023 and 2022 is as follows:

	Number of employees	
	2023	2022
Management	8	8
Supervisors	72	74
Administrative staff	106	109
Other	--	--
	186	**191**

Pursuant to Additional Provision Twenty-Six of Spanish Organic Law 3/2007, of 22 March, for the effective equality of women and men, the distribution of the Company's employees by gender at 31 December 2023 and 2022 was as follows:

	Number of employees			
	2023		2022	
	Men	Women	Men	Women
Management	7	1	7	1
Supervisors	32	38	34	40
Administrative staff	10	93	11	96
Other	--	--	--	--
	49	**132**	**52**	**137**

The Company had one employee in 2023 and one in 2022 with a disability equal to or greater than 33% who is included in the administrative staff category.

(Figures expressed in thousands of euros)

26.1.1 Remuneration in kind

As stated in the collective agreement applicable to financial institutions, the employees may apply for an interest-free personal loan. For that purpose, they must have a minimum length of service at the Company of two years and the loan must be used to cover the employee's own needs.

The amount requested may not exceed 60% of the annual salary included in the collective agreement which corresponds to the employee's category and must be repaid in a maximum of 48 months. At 31 December 2023, the outstanding amount of the loans granted to the employees totalled EUR 288 thousand (2022: EUR 281 thousand) and was recognised in "Financial Assets at Amortised Cost - Loans and Advances" in the accompanying balance sheets.

26.2 Other general administrative expenses

The detail of "Other General Administrative Expenses" in the statements of profit or loss is as follows:

	Thousands of euros	
	2023	**2022**
Property, fixtures and supplies	1,049	1,150
Computer processing (Note 27)	26,267	24,999
Communications	740	635
Advertising and publicity	13,489	16,897
Legal expenses and lawyers' fees	11,817	12,104
Technical reports	5,204	5,247
Other expenses	2,687	2,436
	61,253	**63,468**

"Outside Work and Services" includes the fees for financial audit and other non-audit services engaged by the Company in 2023 and 2022:

	Thousands of euros	
	2023	**2022**
Audit of the separate financial statements and other work related to the audit	94	93
	94	**93**
Other non-audit services	--	--
Total services	**94**	**93**

"Audit of the Separate Financial Statements and Other Work Related to the Audit" includes the fees relating to the review of the financial reporting at 31 December 2023 and 2022 prepared by Company management and referred to the auditors of its shareholders in order to prepare their respective consolidated financial statements.

(Figures expressed in thousands of euros)

27. Transactions with Group companies and associates

The balances held by the Company with Group companies and associates at 31 December 2023 and 2022, and the results of the transactions with Group companies and associates in 2023 and 2022 were as follows:

	Thousands of euros	
	2023	**2022**
Assets:		
Derivatives - hedge accounting	3,007	1,599
Other assets	64	239
Liabilities:		
Deposits from credit institutions	889,535	1,106,378
Customer deposits	414,184	414,303
Other financial liabilities (Note 10.3)	18,080	16,472
Derivatives - hedge accounting	568	294
Other liabilities	3,945	3,945
Profit or Loss:		
Debit-		
Interest expenses (Note 24)	55,122	15,069
Fee and commission expenses (Note 25)	25,261	33,116
Staff costs	453	93
Other administrative expenses (*)	24,610	23,112
Credit-		
Interest income	23,220	6,626
Fee and commission income (Note 25)	4,042	3,878
Other operating income	534	609
Other:		
Other contingent liabilities (Note 22.1)	16,884	23,295

(*) Includes the amount relating to the invoices pending application totalling EUR 3,945 thousand (2022: EUR 3,945 thousand).

The Company pays certain Carrefour Group companies a fee for obtaining financing through them (see Note 1). It also receives fees and commissions from the Group when customers pay with Pass cards at those companies. Part of these fees and commissions are considered to be financial fees and commissions and are recognised in "Interest Income" in the accompanying statement of profit or loss, adjusting the income obtained on the customer loan portfolio, although for the purposes of this Note they are detailed in "Fee and Commission Expenses" and "Fee and Commission Income".

The Company also charges the Group the expenses incurred in its activity under its agreement with Sistema 4B, mainly for fee and commission expenses. The interest received from the Group in this connection is recognised under "Interest Income" in the accompanying statement of profit or loss.

The Company also receives interest from the Group for the sale of "free credit" since what the Company does in this case is pay a smaller amount of the sale to the Group companies when paying them the amount corresponding to the products the customers have purchased in the Carrefour Group's establishments. This interest is accrued as the instalments are collected from the customers in accordance with the amortised cost method.

(Figures expressed in thousands of euros)

In addition, "Other Administrative Expenses" in the above table includes mainly the expenses for IT services and others billed to the Company by the investees Cetelem, Servicios Informáticos, A.I.E. and Cetelem Gestión, A.I.E., amounting to EUR 20,218 thousand in 2023 (2022: EUR 19,274 thousand) and the costs of certain promotional campaigns (see Note 26.2).

"Other Financial Liabilities" at 31 December 2023 and 2022 with Group companies and associates includes the amounts payable by the Company to Cetelem, Servicios Informáticos, A.I.E. and Cetelem Gestión, A.I.E.

28. Customer care service annual report

Spanish Ministry of Economy Order ECO 734/2004, of 11 March, establishes, among other requirements, the obligation for financial institutions' customer care services and departments to prepare an annual report on their activities, on the terms stipulated in Article 17 of the Order, and states that they must include of a summary of that report in the Notes to the financial statements of those financial institutions. In addition, where the role of customer ombudsman exists, the aforementioned Order establishes these same obligations, for the purposes of clarifying the activities performed in the year.

Taking into account the aforementioned Order, the Company's Customer Care Service ("CCS") prepared the required annual report which was submitted to the Company's Board of Directors on 22 March 2024.

The analysis of the Annual Report on the CCS shows, firstly, that the number of incidents (complaints and claims) totalled 7,425 in 2023 (2022: 8,147).

The changes in the claims handled in the last five years were as follows:

YEAR		% Pa-1
2018	2019	38%
2019	2020	39%
2020	2021	28%
2021	2022	47%
2022	2023	(9)%

4% of the claims processed were considered to be favourable to the customer (5% in 2021).

The most common causes leading to the incidents were as follows:

- 89.66% were due to disagreement with the interest (2022: 88.12%).
- 4.03% were due to internet fraud and other reasons (2022: 6.16%).
- 2.91% were due to disagreement with entries in the file or other actions by the entity (2022: 1.84%).
- 1.59 % were due to information and documentation (2022: 2.54%).

Of particular note was the diligence shown by the CCS with respect to the periods for handling and resolving complaints and claims, with an average period of 18 days for answering complaints and claims, reducing the average of 28 days in 2022 thanks to the action plan implemented at the CCS, reallocating resources.

As in prior years, the CCS's actions were based on seeking to obtain customer satisfaction and follow the criteria and best practices issued by the Bank of Spain, prioritising care and service quality.

The content of the claims handled by the Company shows that it cares for its customers appropriately and, on many occasions, for commercial reasons, it accepts the amounts claimed for various items, providing responses quickly and without waiting until the established deadline has been reached.

29. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 1.2). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Servicios Financieros Carrefour, Establecimiento Financiero de Crédito, S.A.

Directors’ Report for the year ended 31 December 2023

Economic environment

In 2023 the economy continued its slowdown due to tight monetary policies, less expansionary fiscal policies, the moderation of the labour markets and to less excess saving, with inflation and central banks the main protagonists.

In 2023 inflation fell back from the highs seen in 2022. The correction of the prices of energy and industrial goods, once the energy crisis and the supply chain problems had been resolved, was to a considerable extent behind the moderation of general inflation.

In 2023 the central banks of developed countries continued with the cycle of interest rate rises, although at a somewhat less active rate than in 2022. In the last quarter of the year, the cycle of interest rate increases made by most central banks came to an end, as the central banks considered that levels sufficiently tight to keep inflation under control had been reached. In the fourth quarter, the cycle of interest rate increases made by central banks came to an end practically across the board.

Household consumption will be supported by the recovery of part of the purchasing power lost in 2022 and 2023. Inflation shows signs that the moderation observed will be sustained, in the absence of surprises in energy prices. Families' current expenses will benefit from improvements in their wealth, the normalisation of the savings rate, a balance sheet that is less sensitive to increases in interest rates and the reservoir of demand for cars.

Business performance and situation of the Company

At 31 December 2023, loans and advances to customers accounted for a gross value of EUR 2,077 million, a decline of 8.0% on the same figure for 2022. In 2023 loan production amounted to EUR 1,099.3 million, down 14.8% on 2022. The distribution by type of product is as follows (in millions of euros):

Revolving credit card balances: 596.7
Loans: 502.6

Net interest income experienced a decline of 12.9%, amounting to EUR 193,161 thousand, compared to the EUR 221,796 thousand recognised in 2022. This decrease is a direct consequence of the increase in the cost of financing.

General expenses amounted to EUR 61,253 thousand in 2023, maintaining the upward trend of the efficiency ratio from 2022. Staff costs rose by 4.2% with respect to the previous year, to a total annual amount of EUR 9,783 thousand.

As regards the calculation of the allowances for the impairment of the assets classified as non-performing due to customer arrears, the Company applies a proprietary model adapted to Bank of Spain Circular 4/2019 and IFRS 9. On the basis of this methodology, the probability of expected loss is calculated by contract and a classification is performed applying a loss allowance in accordance with the risk of default calculated.

The Company has recognised an impairment loss allowance of EUR 192.4 million compared to the EUR 179.6 million recognised at 2022 year-end, an increase of 7.1%. Of this allowance, 73.2% relates to impaired transactions (stage 3), 10.8% to transactions at moderate risk of impairment (stage 2) and 15.9% to transactions without evident risk (stage 1). The risk relating to impaired assets rose by 9.8%, amounting to EUR 193 million at the reporting date, compared to EUR 175.7 million at 2022 year-end. This accounts for 9.3% of the total risk; impairment loss allowances cover 99.6% of this risk, compared to the 102.2% recognised in December 2022.

In 2023 the Company sold a portion of its impaired asset portfolio for a nominal amount of EUR 153 million in order to the level of credit risk exposure on its balance sheet, improve its liquidity and reduce asset management costs.

In October 2023 the Company sold a portion of its performing loans portfolio for a nominal amount of EUR 87 million.

Profit before tax amounted to EUR 48,095 thousand and net profit after tax amounted to EUR 34,578 thousand, 49.6% down on the preceding year, caused, essentially, by the impact of the increase in the cost of financing and the larger credit risk provisions recognised in 2023, mitigated in part by the interest income from hedging derivative instruments.

Research and development activities

In recent years, Servicios Financieros has focused its technological efforts on creating solutions earmarked for developing its business, providing customers with a better level of service and automating business processes, as well as evolving decision making supported by advanced analytical models.

In 2023 technological activity focused on the following areas:

- Development of **new financial products**, as well as the related marketing capabilities and modifications in internal processes to enable them to be efficiently managed.
- Construction of new technological capabilities specifically aimed at improving the **interaction with customers in the digital space** (website, app). In this regard, mention should be made of the launch of the **new financial services website**, which substantially improves the scalability and stability of our website and also offers new customisation capabilities for our customers.
- Creation of processes jointly with the retail activity of the Carrefour Spain Group to enable Servicios Financieros **to extend its access to** Carrefour **customers**. On this point, the ability to request the Carrefour PASS card from the Carrefour world's digital assets (**Mi Carrefour app**) is worthy of mention.
- Continuous investment in our technological capability to **exploit data**. In the same vein, a specially intensive effort was made with regard to the **technological updating and improvement of the various data models** aimed at evaluating risks and marketing financial products.

Following the introduction of new digital assets, in 2022 and 2023 the Company continued its efforts regarding information security, which took the form of the performance, among other examples, of various application audit tests, which took place on a preventive basis to strengthen the security of various assets.

In keeping with digital advances, the Company continued to develop the information security function driven by senior management with an approach based on risk management and continuous improvement. In addition, work continued on the definition of a compliance framework for the management of privacy with a view to formalising the data handling analysis processes and the evaluation of risks by external service providers, making possible compliance in data protection matters.

Acquisition of treasury shares

The Company did not acquire any treasury shares in 2023.

Outlook

The Company's strategic priorities remain the same as in previous years. Firstly, we continue to seek to satisfy our customers by improving our products and services and making a firm commitment to digitalisation. Secondly, we continue to adapt to regulatory requirements and to good market practices, especially as regards transparency in the design and marketing of products. And thirdly, we continue to control costs and recognise provisions, which is essential to maintaining the efficiency ratio.

As regards customers and the products marketed, the development of new products that enable the Company to keep production and results within the targets set is especially important. In this regard, the following projects that will foreseeably be addressed or brought into production in 2024 are worthy of mention:

- Extension of the financing in instalments of transactions made with the Pass card, which will allow the use of the card as a financing instrument to be extended beyond the Carrefour Group's establishments.

- Roll out of new functionalities in our app to extend customers' options regarding the deferral of payment for their purchases.

- Implementation of cash withdrawals at tills at all Carrefour Group establishments through the card's cash line, which will extend the possibilities open to customers.

- Launch of microcredits without documentation for the over-65s segment in order to provide facilities for this group.

- Improvement of the customer experience in the arrangement of products by redesigning the documentation delivery processes.

As regards regulatory requirements, the following legislation, inter alia, applicable to the Company is worthy of mention:

- Payment Services Directive (PSD2), legislation transposed into Spanish law by Spanish Royal Decree-Law 19/2018, of 23 November, on payment services and other urgent financial measures.

- Personal data protection, the European Union's General Data Protection Regulation (GDPR) and Spanish Organic Law 3/2018, of 5 December, on Personal Data Protection and the Guarantee of Digital Rights, inter alia, are applicable.

- Transparency and protection of customers in banking services, supported by Spanish Ministry of Economic Affairs and Digital Transformation Order ETD/699/2020, of 24 July, regulating revolving credit, which in turn amends Spanish Ministry of Economy and Finance Order EHA/2899/2011, of 28 October, on transparency and protection of customers in banking services, published in the Spanish Official State Gazette (BOE) on 29 October 2011, and by Bank of Spain Circular 5/2012, of 27 June, which mandate a reassessment of the way revolving products are marketed in order to make it more transparent.

In addition to the above, the effect on the Company of the increase in the claims and complaints regarding usury and transparency observed since 2018 is noteworthy; we are now entering a period in which, on the one hand, decisions favourable to the Company's interests on matters relating to usury are expected to be handed down due to the effect of the well-known Spanish Supreme Court judgment while, on the other hand, decisions unfavourable to the Company's interests are expected to be handed down in matters relating to transparency.

Lastly, as regards court-related matters, the claim filed in 2020 by the Asufin consumers association, requesting that four contractual clauses be removed, on which a decision was handed down in first instance that was favourable to the Company's interests, which was appealed against in second instance by the other party; a decision was handed down on the aforementioned appeal by the Provincial Appellate Court in September 2022, dismissing Asufin's appeal substantially in full, thus upholding the first-instance judgment. In doing so, the Court declared the Pass card contract to be valid, with the exception of two of its clauses, the deficiencies of which have already been remedied by the Company and whose economic impact is very small or potentially nil. Asufin has filed a cassation appeal against this further judgment contrary to its interests, a circumstance that could affect the evolution of the Company.

As regards the control of costs and recognition of provisions, the Company will continue its cost control policy, also analysing the suitability of the investments and the return thereon.

With respect to the evolution of risk control, in 2023 the Company updated its processes and risks map and the controls matrix related thereto, a process performed using the GRC module (SAP), an integrated platform for corporate management of risks and controls; using this tool, the Company has ensured that the various control bodies interact with the other areas.

The use of this tool boosted the following objectives in 2023:

- Greater awareness and transfer of responsibility to the various areas by periodically valuing/executing risks and controls.
- Integrated management of risk, allowing Internal Audit to exercise continuous monitoring once the level of risk and the effectiveness of the controls of the various processes has been ascertained in real time, thus enabling existing/future risks to be prevented and detected.

- Detection of risks in real time and better follow-up of the various action plans arising following the performance of controls by the first and second line of defence.

Also, in 2021 the Board of Directors approved the Risk Appetite Framework (RAF), which since then has been a mechanism to boost and strengthen the risk control and management environment by means of a function that coordinates all the Company's business units, based on gathering main indicators already implemented thereat. Since then, the Framework has been updated every year, recalibrating the KRIs that need recalibration as a result of the changes in processes that have taken place and the results that have been obtained in the previous year, as well as defining other new KRIs to strengthen surveillance of more critical risks, controlling them and keeping them at the desired levels in the future, contributing an objective and independent view, that serves to set the Company's risk appetite and to establish the foundations of an integrated risk management system aligned with corporate strategy, objectives and culture.

The RAF was developed effectively in 2023 and was used as guidance for taking decisions, assigning resources and monitoring the results obtained, which have been presented, on an ordinary basis, together with the other information on risks:

- Every six months, at Global Risk Committee meetings.
- Every quarter, at Joint Audit and Risk Committee and Board of Directors meetings.

Also, in 2021 the Risk Management function was formalised, and has been maintained since then, building a system of three lines of defence, in which each area, depending on the line of defence in which it is located, assumes different responsibilities and duties:

- The first line of defence is located at the level of the Company's business lines, where risks are assumed and managed directly. It is responsible for applying the risk management procedures at each of the processes in which it participates, and assumes management of the risks arising from these processes and from the preparation and compliance with internal policies.

- The second line of defence is composed of the Risk Management function, the Compliance function and the Financial Control function; the Permanent Control, Prevention of Money Laundering and Information Security functions are, in turn, embedded in the first two of these. Also, and as part of the second line of defence, the Customer Care Service must directly report its results and the deficiencies detected in the performance of its duties to the Compliance function.

- The third line of defence is formed by the Internal Audit function, which is responsible, as an independent assessor, for supervising the correct functioning of the Risk Management System, for compliance with policies and procedures and for the ultimate evaluation of the effectiveness of the action plans launched and the recommendations implemented.

Risk management

Following is a summary of the criteria adopted with respect to each of the risks to which the Company is exposed.

- Credit risk.

Credit risk is the risk of loss for the Company stemming from the failure of a customer or counterparty to meet its contractual payment obligations. This risk is inherent to traditional banking products (loans, credits, financial guarantees given, etc.), as well as other types of financial products (fixed-income portfolio, equities, derivatives, etc.).

Due to the Company's sphere of activity, credit risk is undoubtedly the most significant risk to which it is exposed, its activity being located in the individual retail sector.

The maximum credit risk exposure, as regards the loans and credits granted to customers, is the full amount of the risk exposure to the customers, since the Company does not require any type of collateral or use credit risk hedging instruments.

The risk monitoring function, to which specific resources and supervisors has been assigned, has been defined to control credit quality and anticipate the recovery of investments. This monitoring function is based on permanent attention aimed at monitoring repayment and identifying anomalous situations relating to transactions and anticipating circumstances that might affect the normal course of the transaction and its successful outcome.

The detection of potential debt recovery problems leads to the immediate application of the predefined solutions in this respect on the basis of the type of transaction, counterparty, collateral, age of the debt and claim status, inter alia.

This risk category includes business risk, which is understood to be the possibility of losses arising from the occurrence of hypothetical adverse events (internal or external) that adversely affect the Company's ability to achieve its objectives and, consequently, adversely affect its profits (statement of profit or loss) and, in this way, its capital adequacy.

- Market risk.

Market risk represents the possibility of losses as a result of adverse changes in the prices of bonds, securities or goods held for resale or the exchange rates of currencies held for trading by the Company. Market risk includes structural on-balance sheet foreign currency risk, which is defined as the possibility of losses as a result of adverse changes in exchange rates.

The composition of the Company's portfolio and its investment policy allow the conclusion to be reached that the risk is non-existent as the trading book has no exposure.

- Operational risk.

The Compliance, Permanent Control and Information Security departments, with the assurance of Internal Audit and the collaboration of the Company's other areas, are responsible for limiting, diversifying and mitigating operational risk. Their basic functions regarding the management of this risk are to foster information and training on the culture of compliance at the Company (including ethics and conduct), guarantee the performance of the first line of defence controls and, if required, propose improvements or strengthen them by executing second level controls, perform monitoring of the updating and general dissemination of the procedures, codes of good conduct, internal regulations, generally disseminated notes with new circuits or updates, validation of products, contracts, services, security documents, etc., discharge the regulatory compliance function, be aware of and value the actions performed in matters relating to the prevention of money laundering and combating terrorist financing and promote all the permanent controls involving each area of the Company.

In addition, and with respect to operational risk, the Company has a business continuity plan, which was updated in the second half of 2023, and a contingency plan that would enable it to continue its activity and limit losses in the event of certain serious interruptions in business.

Operational risk is considered to include legal, reputational and compliance risk.

- Interest rate risk.

Hedging interest rate risk is a basic necessity for the Company since, because of the type of its business, it is vital to ensure that it retains a sufficient financial margin.

In general terms, the safeguard of the financial margin against fluctuations in interest rates is based on the application of a method that tends towards convergence regarding the maturities of financial assets and liabilities.

To achieve this objective, the Company differentiates, as regards methodology, between the two types of basic financing that it offers its customers.

In the case of revolving cards, interest rate risk is mitigated, on the one hand, by the possibility of updating interest rates in general conditions, in the case of customers without debt, which enables the Company to partially pass on changes in the cost of the liability, and, on the other hand, by the considerable differential between the interest rate applied to the card and the interest on the resources used.

In the case of loans and credits, interest rate risk is hedged by matching drawdowns and capital with asset maturities.

At 31 December 2023, the Company held interest rate derivatives. The notional amount of these derivatives amounted to EUR 712 million at 31 December 2023 (31 December 2002: EUR 734 million).

- Concentration risk.

Since it operates exclusively in Spain and in the individual retail sector, the Company has a highly diversified loan portfolio. The portfolio is composed of transactions of very small amounts not concentrated in specific economic sectors, and, accordingly, concentration risk is considered irrelevant.

- Liquidity risk.

Liquidity risk management includes obtaining financing in the financial markets at the lowest cost possible at medium and long term, the aim being to maintain an optimum level of liquid assets under a prudent policy.

The goal of the Company's liquidity risk policy is to ensure that at no time is there a lack of cash resources that would oblige it to accept financing an above-market interest rate.

Also, the Company must at all times be in a position to ensure both the refinancing of all the loans and credits granted to third parties and maintaining a normal level of activity in the event of a liquidity crisis.

As regards the obtainment of liquidity, the Company finances itself through confirmed bilateral credit lines granted by Spanish companies and partners and a securitisation transaction carried out in 2017, which was renewed in 2019 and 2021.

For each financing product offered by the Company the interest rate risk is measured according to the cumulative balance receivable in each period and the aim is to cover it using internal financing, borrowings and equity.

The financing needs are projected taking into account the possibility of the early repayment by customers based on the historical data of available years, updated each month, as well as other variables that could affect the amount to be covered.

- Securitisation risk.

The risks arising from securitisation transactions in which the entity acts as an investor, originator or sponsor, including reputational risk, are valued and controlled by means of the appropriate policies and procedures to ensure, in particular, that the economic content of the transaction is fully reflected in the decisions regarding evaluation and management of the risk.

The credit entities that originate renewable securitisation transactions that include early redemption clauses shall have liquidity plans to enable them the cater for the implications arising from both redemption on maturity and early redemption.

- Business risk.

Business risk is the possibility of losses arising from the occurrence of hypothetical adverse events (internal or external) that adversely affect the Company's ability to achieve its objectives and, consequently, adversely affect its profits (statement of profit or loss) and, in this way, its capital adequacy.

Business risk includes the possible current and future impact on the Company's income and capital, and, accordingly, on achieving the goals set by it, which could arise from adverse decisions taken by the business, the incorrect implementation of decisions or the lack of ability to respond to market changes.

Events after the reporting period

No other events that might have a significant impact on the Company's accompanying financial statements took place from 31 December 2023 to the date on which the financial statements were authorised for issue.

Average period of payment to suppliers

The average period of payment to suppliers was 19.96 days in 2023 (which is therefore within the statutory maximum payment period of 60 days established by Law 15/2010, of 5 July, on combating late payment in commercial transactions). The calculation was made in accordance with the provisions of the aforementioned Law.

Non-financial information statement

In accordance with Spanish Law 11/2018, of 28 December, on non-financial and diversity information, the Carrefour Spain Group prepared the consolidated non-financial information statement for 2023, which will be deposited at the Madrid Mercantile Registry.