ANNUAL REPORT 2020

ANDBANK
Private Bankers / 90 Years

Index

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Key figures

Financial group founded in 1930.

Preserving and growing the wealth of our customers is our only goal.

Our values define us as an organisation, competitive and demanding in pursuit of excellence.

5

Banking Licenses

3

Wealth Managers

5

Fund Managers

5

Brokerage Firms

1,091

Employees

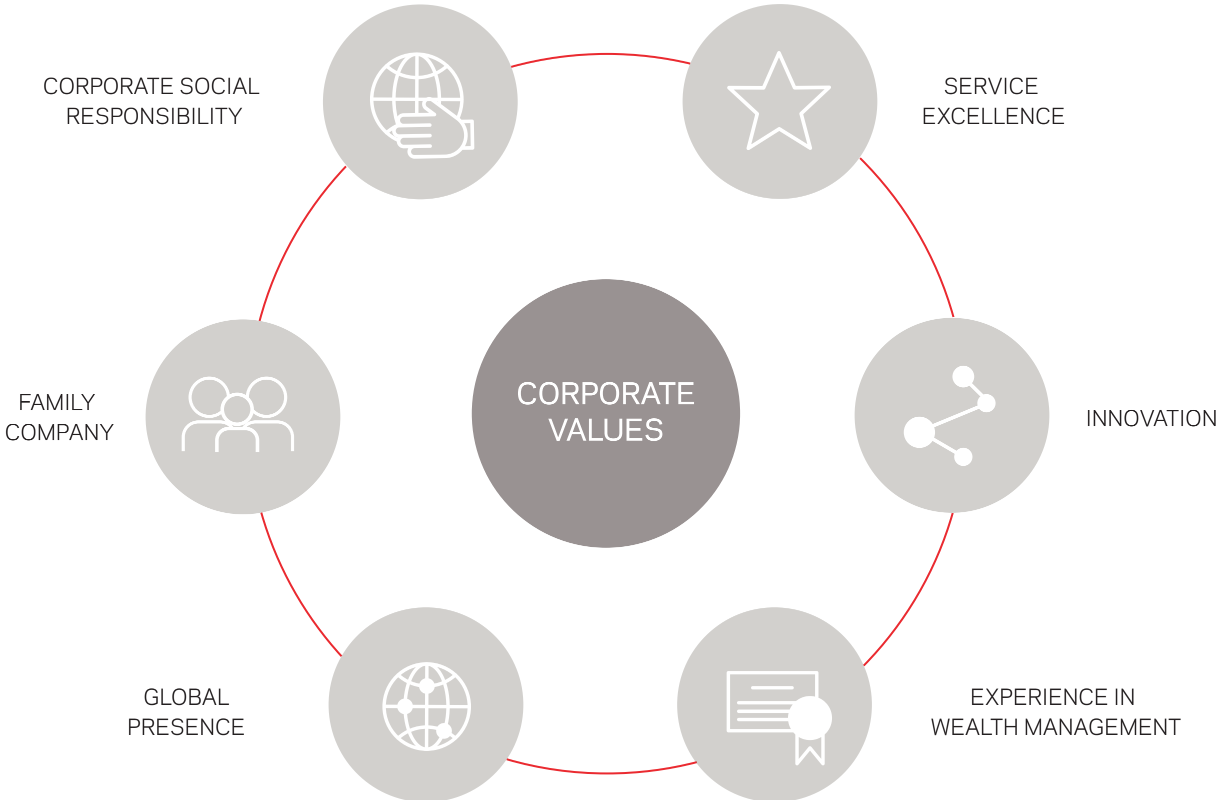
29

Nationalities

Vision

Consolidate ourselves as a leading, recognised private family bank in the reference markets of Europe and Latin America and among the affluent and wealth segments for our wealth management, based on a long-term value creation strategy and a commitment to innovation.

Andbank values



Key figures

25,303 M€ **AUM**	190.26 % **Liquidity LCR**
538 M€ **Core Capital**	16.02 % **TIER 1**
29.5 M€ **Net profit**	3.10 % **NPL Ratio**
BBB **Fitch Ratings**	5.64 % **ROE**
Negative **Outlook**	13.70 % **ROTE**

2020 Awards

Bank of the Year 2020

Best Private Bank 2020

Best Digital Bank 2020

Safest Bank 2020 2020

01 / Letter from the Chairman

Letter from the Chairman

> 2020 was a difficult year in every way, especially in the field of health. None of us had experienced a global pandemic and at the beginning of the year we did not realise the scale of the challenge it would entail.
>
> COVID-19 has brought not only a profound health crisis but also an economic and social crisis. A full year later we are still waiting to see if the consequences can be overcome through herd immunity once vaccination is complete and effective in all countries.
>
> From an economic point of view, financial year 2020 was dominated by the pandemic practically from start to finish. Mobility restrictions and lockdowns led to an abrupt, widespread collapse of growth worldwide. The recession was accompanied by unprecedented fiscal and monetary stimuli. Coupled with good news on the vaccine front, these stimuli brought a rapid recovery of activity and sentiment, albeit uneven and incomplete in many sectors and geographies.

The financial markets were also clearly impacted by the US presidential elections, won by Biden, a supporter of increased government spending. The year also saw progress in European integration, with the approval of the European Recovery Fund. And at the end of December, a bottom-line agreement was reached on Brexit.

In this anomalous context, we continued to conduct our business in what is described as "the new normal". The important drive for technological innovation that we launched in 2019 has been key both to safeguarding the health of our employees (who were able to telework from day one) and to being able to continue to provide an optimal service to our customers.

Given the prevailing uncertainty, our main focus was on maintaining close contact and standing by our customers, so that they felt accompanied in this new situation. This has been the priority for all the Andbank Group's professionals, a priority to which we have given our full attention.

This concentrated effort has paid off in the form of 6% growth in managed assets, which reached 25,303 million euros, and a profit of 29.5 million euros, up 5% on the previous year.

The Andbank Group was also one of the most active, fastest-growing entities in 2020. Most notably, the Group acquired Esfera Gestión and the private bank Bank Degroof Petercam Spain (both in Spain) and opened new private banking offices in Malaga and Seville (Spain) and in Rio de Janeiro (Brazil).

These operations reflect the Group's push for international growth begun in 2008, which has resulted in our being present in 12 countries and having a workforce of 1,100 professionals of 30 different nationalities. In 2020, the Group's international area accounted for 84% of assets managed.

Moreover, we continue to have a robust business model, as is evidenced by our key indicators. Last year, ROE reached 5.64% and ROTE (return on tangible equity), 13.70%. Through efficiency in management we reached 538 million euros of own funds and situated the capital and liquidity ratios above the levels required by the Basel III agreements and above the European average.

The Tier 1 capital ratio was 16.02% on a consolidated basis, the liquidity coverage ratio (LCR), 190.26% (well above the minimum of 100%) and the non-performing loans (NPL) ratio, 3.10%.

With these ratios and the good results obtained, we continue to make positive progress in implementing the 2018-2021 strategic plan, which is accompanied by a firm commitment to digitisation, making us market leaders in this area. Improvements to our operating platform and app are the visible expression of our technology developments, which will continue to bear fruit.

In this connection I would like to highlight our investment in the development of MyInvestor, Andbank España's neobank, which has El Corte Inglés Seguros and AXA España as minority partners and which at the end of last year ranked as Spain's largest fintech and the 13th largest fintech in Europe by turnover.

All this has positioned us in the market with a bank that is committed to a solid, robust and ambitious project, a fact acknowledged by the 2020 Bank of the Year and Best Private Bank in Andorra awards given by the Financial Times Group magazines *The Banker* and *PWM*.

Yet everything we do would be meaningless if we were unable to return part of the value we generate to society. Last year was special and we tried to be more active than ever in the field of social action. We continued to support cancer research, which is one of the mainstays of our corporate social responsibility, through ongoing collaboration with the Sant Joan de Déu Pediatric Cancer Center, the FERO Foundation and the CRIS Cancer Foundation through our Global Sustainable Impact (GSI) fund. We were also one of the sponsors of the First Cancer Charity Gala held in Andorra, which was a great success, raising funds to support families affected by this disease.

For all that we have experienced and learned this year, on behalf of the shareholders and the Board of Directors of the Andbank Group, I would like to convey our sincere thanks to our customers for their support, trust and loyalty, and to the Group's professionals for their effort, their commitment to excellence and their dedication, despite the circumstances, which at times have been very difficult.

We hope that 2021, the year of our 90th anniversary, will bring us a better public health and economic situation. We will continue to work to the highest ethical and professional standards, so as to remain worthy of the trust of our customers, to whom we have a duty, and help create a better society.

Manel Cerqueda Donadeu
Chairman

02/ Auditor report

Auditor report

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Translation of a report originally issued in Catalan based on our work performed in accordance with International Standards on Auditing (ISAs). In the event of a discrepancy, the Catalan-language version prevails.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Andorra Banc Agrícol Reig, SA,

Opinion

We have audited the accompanying consolidated financial statements of Andorra Banc Agrícol Reig, SA (the Parent) and other companies composing the Andbank Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of income, statement of changes in the consolidated net equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2020, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and concurrently adopted by Andorra (Andorran IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements that are applicable to our audit of the consolidated financial statements pursuant to the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code of Ethics) and have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other questions

The consolidated financial statements for the year ended 31 December 2019 were audited by other auditor who expressed an unmodified opinion on these financial statements on 3 April 2020.

Other Information

The Parent's directors are responsible for the other information. The other information comprises the consolidated annual report for 2020 under the terms established in Article 90 of Law 35/2018, of 20 December, on solvency, liquidity and prudential supervision of banking entities and investment firms, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors and of the Audit and Compliance Committee for the Consolidated Financial Statements

The directors of the Parent are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and concurrently adopted by Andorra (Andorran IFRSs), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee of the Parent is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description forms part of our auditor's report.

DELOITTE ANDORRA AUDITORS I ASSESSORS, S.L.

Álvaro Quintana
30 March 2021

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 consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

We also provide the Audit Committee of the Parent 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.

03/ Financial statements Andbank Group

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Consolidated Financial Statements

Notes to the Consolidated Annual Accounts

Consolidated Statements of Financial Position

Thousands of euros

Assets	31/12/2020	31/12/2019
Cash, cash balances at central banks and other demand deposits (note 5)	**1,302,133**	**1,058,885**
Cash	16,682	19,209
Cash balances at central banks	989,194	721,153
Other demand deposits	296,257	318,523
Financial assets held for trading (note 6)	**189,958**	**174,198**
Derivatives	108,897	76,796
Equity instruments	2,034	7,351
Debt securities	79,027	90,051
Non-trading financial assets mandatorily at fair value through profit or loss (note 7)	**8,990**	**10,073**
Equity instruments	8,990	10,073
Financial assets designated at fair value through profit or loss (note 8)	**13,619**	**-**
Debt securities	13,619	-
Financial assets at fair value through other comprehensive income (note 9)	**318,276**	**514,318**
Equity instruments	13,880	23,560
Debt securities	304,396	490,758
Financial assets at amortised cost (note 10)	**2,834,770**	**2,185,554**
Debt securities	514,095	195,424
Loans and advances	2,320,675	1,990,130
Derivatives - Hedge accounting (note 11)	**4,089**	**822**
Changes in the fair value of hedged items in portfolio hedges of interest risk (note 11)	**5,976**	**4,609**
Investments in subsidiaries, joint ventures and associates (note 12)	**3,243**	**2,862**
Assets under insurance and reinsurance contracts	**3,052**	**4,520**
Tangible assets (note 13)	**131,567**	**146,987**
Property, plant and equipment	118,844	137,882
Investment property	12,723	9,105
Intangible assets (note 14)	**288,876**	**284,219**
Goodwill	158,307	159,925
Other intangible assets	130,569	124,294
Tax assets (note 15)	**25,281**	**27,926**
Current tax assets	7,102	5,446
Deferred tax assets	18,179	22,480
Other assets (note 16)	**77,211**	**121,736**
Non-current assets and disposal groups classified as held for sale (note 17)	**20,015**	**24,674**
TOTAL ASSETS	5,227,056	4,561,383

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2020.
The financial statements for 2019 are also included for comparative purposes (see note 2.d).

Consolidated Statements of Financial Position

Thousands of euros

Liabilities	31/12/2020	31/12/2019
Financial liabilities held for trading (note 6)	**74,299**	**53,663**
Derivatives	74,299	53,663
Financial liabilities designated at fair value through profit or loss	**-**	**-**
Financial liabilities at amortised cost (note 18)	**4,488,959**	**3,858,847**
Deposits	3,997,436	3,282,533
Debt securities issued	374,135	458,060
Other financial liabilities	117,388	118,254
Derivatives - Hedge accounting (note 11)	**6,268**	**5,224**
Changes in the fair value of hedged items in portfolio hedges of interest risk (note 11)	**-**	**-**
Liabilities under insurance and reinsurance contracts	**3,052**	**4,520**
Provisions (note 19)	**18,997**	**22,740**
Tax liabilities (note 15)	**13,247**	**14,632**
Current tax liabilities	4,088	4,056
Deferred tax liabilities	9,159	10,576
Share capital repayable on demand	**-**	**-**
Other liabilities (note 16)	**84,657**	**78,654**
Liabilities included in disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**4,689,479**	**4,038,280**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2020.
The financial statements for 2019 are also included for comparative purposes (see note 2.d).

Consolidated Statements of Financial Position

		Thousands of euros
Capital and reserves	**31/12/2020**	**31/12/2019**
Capital (note 20)	**78,842**	**78,842**
Called up paid capital	78,842	78,842
Share premium (note 20)	**73,441**	**73,441**
Equity instruments issued other than capital (note 20)	**34,800**	**35,000**
Other equity instruments issued	34,800	35,000
Other equity	**-**	**-**
Accumulated other comprehensive income (note 21)	**(34,511)**	**(17,898)**
Items that will not be classified to profit or loss	75	276
Fair value changes of equity instruments measured at fair value through other comprehensive income	75	276
Items that may be reclassified to profit or loss	(34,586)	(18,174)
Foreign currency translation	(35,562)	(15,168)
Hedging derivatives Cash flow hedges (effective portion)	(529)	(2,825)
Fair value changes of debt instruments measured at fair value through other comprehensive income	1,505	(181)
Retained earnings (note 20)	**455,963**	**427,156**
Revaluation reserves (note 20)	**-**	**-**
Revaluation reserves	**-**	**-**
Other reserves (note 20)	**(103,855)**	**(100,367)**
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates	41,040	44,528
Other	(144,895)	(144,895)
(-) Own shares	**(1,927)**	**(1,927)**
Profit or loss attributable to owners of the Parent	**29,470**	**28,040**
(-) Interim dividends	**-**	**-**
Minority interests (non-controlling interests)	**5,354**	**816**
Accumulated other comprehensive income	**5,354**	**816**
TOTAL EQUITY	**537,577**	**523,103**
TOTAL EQUITY AND LIABILITIES	**5,227,056**	**4,561,383**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2020.
The financial statements for 2019 are also included for comparative purposes (see note 2.d).

Consolidated Income Statements

Income statement	31/12/2020	31/12/2019
		Thousands of euros
Interest income (note 24)	**41,866**	**49,278**
Financial assets held for trading	1,692	5,849
Financial assets at fair value through other comprehensive income	4,358	5,418
Financial assets at amortised cost	35,799	38,011
Derivatives - Hedge accounting, interest rate risk	14	-
Other assets	3	-
(Interest expenses) (note 24)	**(20,582)**	**(31,477)**
(Financial liabilities measured at amortised cost)	(18,649)	(29,567)
(Derivatives - Hedge accounting, interest rate risk)	(201)	-
(Other liabilities)	(1,732)	(1,910)
(Expenses on share capital repayable on demand)	-	-
Dividend income (note 25)	**118**	**169**
Financial assets at fair value through other comprehensive income	118	169
Fee and commission income (note 26)	**182,046**	**175,100**
(Fee and commission expenses) (note 27)	**(57,758)**	**(47,691)**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (note 28)	**6,926**	**17,161**
Financial assets at fair value through other comprehensive income	6,926	11,368
Financial assets at amortised cost	-	5,793
Financial assets at fair value through other comprehensive income	**-**	**-**
Gains or losses on financial assets and liabilities held for trading, net (note 28)	**48,571**	**36,294**
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net (note 28)	**3,075**	**2,008**
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	**104**	**-**
Gains or losses from hedge accounting, net (note 28)	**(270)**	**(228)**
Exchange differences (gain or loss), net (note 29)	**5,463**	**6,227**
Gains or losses on derecognition of non-financial assets, net	**3,197**	**488**
Other operating income (note 30)	**8,726**	**5,776**
(Other operating expenses) (note 30)	**(6,278)**	**(5,207)**
Total operating income/expenses, net	**215,204**	**207,898**
(Administrative expenses) (note 31)	**(151,852)**	**(150,445)**
(Staff expenses)	(99,272)	(102,973)
(Other administrative expenses)	(52,580)	(47,472)
(Amortisation and depreciation)	**(28,482)**	**(23,748)**
(Property, plant and equipment) (note 13)	(16,346)	(15,687)
(Investment properties) (note 13)	(156)	(142)
(Other intangible assets) (note 14)	(11,980)	(7,919)
Modification gains or losses, net	**-**	**-**

Income statement	31/12/2020	31/12/2019
		Thousands of euros
(Provisions or reversal of provisions) (note 32)	**(873)**	**(3,479)**
(Commitments and guarantees given)	16	(58)
(Other provisions)	(889)	(3,421)
(Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss) (note 33)	**682**	**1,441**
(Financial assets at fair value through other comprehensive income)	(84)	(42)
(Financial assets at amortised cost)	766	1,483
(Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates) (note 12)	**140**	**(300)**
(Impairment or reversal of impairment on non-financial assets) (note 34)	**(516)**	**(73)**
(Property, plant and equipment)	(255)	10
(Other intangible assets)	(243)	26
(Other)	(18)	(109)
Negative goodwill recognised in profit or loss	**-**	**-**
Share of the profit or loss of investments in subsidiaries, joint ventures and associates	**378**	**292**
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (note 35)	**1,490**	**1,595**
Profit or loss before tax from continuing operations	**36,171**	**33,181**
(Tax expense or income related to profit or loss from continuing operations)	(5,912)	(5,143)
Profit or loss after tax from continuing operations	**30,259**	**28,038**
Profit or loss after tax from continuing operations	-	-
Profit or loss for the year	**30,259**	**28,038**
Attributable to minority interest (non-controlling interests)	789	(2)
Attributable to owners of the Parent	**29,470**	**28,040**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2020.
The financial statements for 2019 are also included for comparative purposes (see note 2.d).

Consolidated Statements of Comprehensive Incom

Thousands of euros

Statement of comprehensive income	31/12/2020	31/12/2019
Profit or loss for the year	**30,259**	**28,038**
Other comprehensive income	**(16,613)**	**1,362**
Items that will not be classified to profit or loss	**(201)**	**276**
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	(223)	307
Income tax relating to items that will not be reclassified	22	(31)
Items that may be reclassified to profit or loss	**(16,412)**	**1,086**
Foreign currency translation	(20,394)	(4,255)
Translation gains or losses taken to equity	(20,394)	(4,255)
Hedging derivatives Cash flow hedges (effective portion)	2,551	1,031
Valuation gains or losses taken to equity	2,551	1,031
Debt instruments at fair value through other comprehensive income	1,873	4,903
Valuation gains or losses taken to equity	1,873	4,903
Income tax relating to items that may be reclassified to profit or loss	(442)	(593)
Total comprehensive income for the year	**13,646**	**29,400**
Attributable to minority interest (non-controlling interest)	789	(2)
Attributable to owners of the Parent	12,857	29,402

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2020.
The financial statements for 2019 are also included for comparative purposes (see note 2.d).

Consolidated Statements of Changes in Equity

	Capital	Share premium	Equity instruments issued other than capital	Accumulated other comprehensive income
Balance at 31 December 2019	**78,842**	**73,441**	**35,000**	**(17,898)**
Balance at 1 January 2020	**78,842**	**73,441**	**35,000**	**(17,898)**
Exercise or expiration of other equity instruments issued	-	-	(200)	-
Transfers among components of equity	-	-	-	-
Other increase or decrease in equity	-	-	-	-
Total comprehensive income for the year	-	-	-	(16,613)
Balance at 31 December 2020	**78,842**	**73,441**	**34,800**	**(34,511)**

	Capital	Share premium	Equity instruments issued other than capital	Accumulated other comprehensive income
Balance at 31 December 2018	**78,842**	**73,441**	**35,000**	**(8,334)**
Effects of correction of errors	-	-	-	(10,926)
Effects of changes in accounting policies	-	-	-	-
Balance at 1 January 2019	**78,842**	**73,441**	**35,000**	**(19,260)**
Transfers among components of equity	-	-	-	-
Other increase or decrease in equity	-	-	-	-
Total comprehensive income for the year	-	-	-	1,362
Balance at 31 December 2019	**78,842**	**73,441**	**35,000**	**(17,898)**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2020.
The financial statements for 2019 and 2018 are also included for comparative purposes (see note 2.d).

Thousands of euros

					Minority interests	
Retained earnings	Revaluation reserves	Other reserves	(-) Own shares	Profit or loss attributable to owners of the Parent	Accumulated other comprehensive income	Total Capital
427,156	**-**	**(100,367)**	**(1,927)**	**28,040**	**816**	**523,103**
427,156	**-**	**(100,367)**	**(1,927)**	**28,040**	**816**	**523,103**
-	-	-	-	-	-	(200)
30,726	-	-	-	(28,040)	-	2,686
(1,919)	-	(3,488)	-	-	3,749	(1,658)
-	-	-	-	29,470	789	13,646
455,963	**-**	**(103,855)**	**(1,927)**	**29,470**	**5,354**	**537,577**

Thousands of euros

					Minority interests	
Retained earnings	Revaluation reserves	Other reserves	(-) Own shares	Profit or loss attributable to owners of the Parent	Accumulated other comprehensive income	Total Capital
411,782	**645**	**(100,982)**	**(1,927)**	**27,078**	**1,099**	**516,644**
-	-	(4,044)	-	-	-	(14,970)
-	-	-	-	-	-	-
411,782	**645**	**(105,026)**	**(1,927)**	**27,078**	**1,099**	**501,674**
17,299	(645)	-	-	(27,078)	-	(10,424)
(1,925)	-	4,659	-	-	(281)	2,453
-	-	-	-	28,040	(2)	29,400
427,156	**-**	**(100,367)**	**(1,927)**	**28,040**	**816**	**523,103**

Consolidated Statements of Cash Flows

Thousands of euros

	Statement of cash flows	31/12/2020	31/12/2019
A)	**Cash flows from/(used in) operating activities**	**349,050**	**(328,456)**
	Profit for the year	**29,470**	**28,040**
	Adjustments to obtain cash flows from operating activities	**15,835**	**4,506**
	Depreciation and amortisation	28,482	23,748
	Other adjustments	(12,647)	(19,242)
	Net increase/(decrease) in operating assets	**(429,716)**	**(358,859)**
	Financial assets held for trading	(15,760)	27,128
	Non-trading financial assets mandatorily at fair value through profit or loss	(9,280)	(1,794)
	Financial assets at fair value through other comprehensive income	204,305	(80,056)
	Financial assets at amortised cost	(648,873)	(250,829)
	Other operating assets	39,892	(53,308)
	Net increase/decrease in operating liabilities	**731,822**	**(2,777)**
	Financial liabilities held for trading	20,636	(12,564)
	Financial liabilities measured at amortised cost	712,980	24,590
	Other operating liabilities	(1,794)	(14,803)
	Income tax receivable/payable	**1,639**	**634**
B)	**Cash flows used in investing activities**	**(19,757)**	**(29,569)**
	Payments	**(39,023)**	**(43,912)**
	Tangible assets	(11,639)	(7,696)
	Intangible assets	(18,255)	(30,929)
	Investments in joint ventures and associates	(8,748)	(5,287)
	Subsidiaries and other business units	(381)	(1)
	Amounts received	**19,266**	**14,343**
	Tangible assets	12,694	3,030
	Investments in joint ventures and associates	(1)	116
	Non-current assets and liabilities classified as held for sale	6,572	11,197
C)	**Cash flows used in financing activities**	**(86,045)**	**(16,483)**
	Payments	**(86,045)**	**(16,483)**
	Debt securities	(83,925)	(14,558)
	Other payments relating to financing activities	(2,120)	(1,925)
D)	**Effect of foreign exchange rate differences**	**-**	**-**
E)	**Net increase/(decrease) in cash and cash equivalents (A+B+C+D)**	**243,248**	**(374,508)**
F)	**Cash and cash equivalents at the beginning of the period**	**1,058,885**	**1,433,393**
G)	**Cash and cash equivalents at end of the period**	**1,302,133**	**1,058,885**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2020.
The financial statements for 2019 are also included for comparative purposes (see note 2.d).

1. Nature, Activity and Composition of the Group

Andorra Banc Agrícol Reig, S.A. (hereinafter "Andbank" or "the Group") is a limited liability company incorporated in 1930, protected by the law of Andorra, with registered offices in Escaldes-Engordany (Principality of Andorra). The Group's statutory activity is to carry out banking activities, as defined by the regulations of the Andorran financial system. In addition, it can undertake any activity related to or which complements its statutory activity. The Bank operates under the Tax Registration Number (TRN) A700158F.

In order to adapt to Law 7/2013 of 9 May 2013, on 28 June 2013 the Board of Directors expanded the statutory activities to all those activities that Andorran financial system legislation allows banking entities to carry out, including as many operations and activities which are accessory or complementary to the principal activity.

The Group's registered offices are at Carrer Manuel Cerqueda i Escaler, number 4-6, Escaldes - Engordany, Principality of Andorra.

In order to carry out the aforementioned statutory and principal activity, Andorra Banc Agrícol Reig, SA has the following commercial numbers: 915893 A, Casa Muxero, AD100-Canillo; 908555 X, Avda. Copríncep Episcopal, 006, AD200-Encamp; 906922 G, Carrer Sant Jordi 012, Edifici La Morera, Local E, Pas de la Casa, AD200-Encamp; 909868 F, Casa Nova Joanet, AD300-Ordino; 909099 Z, Avda. Sant Antoni 032, Edifici Ferrand's, AD400-La Massana; 917946 Z, Plaça Rebes 008, AD500-Andorra La Vella; 911590 B, Avda. de Tarragona 014, Edifici l'Illa, AD500-Andorra La Vella; 906921 H, Avda. Verge de Canòlich, 053, AD600-Sant Julià de Lòria; 910675 E, Avda. Fiter i Rosell, 004 B, Edifici Centre de Negoci, AD700-Escaldes-Engordany.

At an extraordinary and universal meeting held on 10 May 2002, the shareholders adopted a resolution to change its registered name from Banc Agrícol i Comercial d'Andorra, S.A., to Andorra Banc Agrícol Reig, S.A., together with a corresponding modification of article 1 of its articles of association.

Andbank is the Parent of the Andorra Banc Agrícol Reig Group (hereinafter the Andbank Group), which comprises the companies listed in Appendix I.

As a member of the Andorran financial system, the Andbank Group is subject to the supervision of the AFA, the Andorran financial system's authority which performs its functions independently from the General Administration. The Andbank Group is also subject to compliance with local Andorran legislation (see note 41).

2. Basis of presentation of the consolidated annual accounts

▪a. Compliance with IFRS as adopted by the Andorran Government

The consolidated annual accounts for 2020 have been prepared in accordance with International Financial Reporting Standards as adopted by the Andorran Government (IFRS-Andorra) which are set out in the Decree dated 28 December 2016 which approves the accounting framework applicable to entities operating in the Andorran financial system and to Andorran collective investment undertakings in accordance with the international financial reporting standards as adopted by the European Union (IFRS-EU) which have now been adopted by Andorra, to give a fair view of the consolidated equity, consolidated financial position, consolidated results of operations, consolidated cash flows and changes in consolidated equity of Andorra Banc Agrícol Reig, S.A. and subsidiaries at 31 December 2020 in accordance with the aforementioned framework.

International Financial Reporting Standards are the standards and interpretations issued by the International Accounting Standards Board (IASB). These standards comprise:

- International Financial Reporting Standards (hereinafter "IFRS").
- International Accounting Standards (hereinafter "IAS").
- IFRIC interpretations (hereinafter "IFRIC"); and
- SIC interpretations (hereinafter "SIC")

▪b. Basis of presentation of the annual accounts

The consolidated annual accounts have been prepared on the basis of the accounting records of Andorra Banc Agrícol Reig, SA and the entities included in the Andbank Group, on a going concern basis, except for Andbank Bahamas which will be wound up in 2021.

The consolidated annual accounts have been prepared using the relevant accounting principles and valuation standards detailed in note 3. No mandatory accounting principles having a significant effect on the consolidated annual accounts have been excluded during their preparation. Since the accounting principles and measurement criteria applied in the preparation of the Andbank Group's 2020 consolidated annual accounts may differ from those used by some of the entities comprising the Andbank Group, certain adjustments and reclassifications have been made in the consolidation process in order to standardise these principles and criteria and bring them into line with IFRS-Andorra and IFRS-EU applied by the Andbank Group.

The consolidated annual accounts for 2019, prepared in accordance with IFRS-Andorra and IFRS-EU in force in 2019, were approved by the shareholders at a general meeting held on 29 April 2020. The 2020 consolidated annual accounts of the Andbank Group and the annual accounts of the entities forming part of the Andbank Group, are pending approval by their respective shareholders. However, the Bank's directors consider that these annual accounts will be approved without any significant changes.

▪c. Comparative information

At 31 December 2020 the consolidated annual accounts have been prepared in accordance with IFRS-Andorra and IFRS-EU and based on this accounting framework they include comparative information. The information contained in the accompanying consolidated financial statements at 31 December 2019 and consolidated notes thereto, prepared in accordance with standards prevailing in 2019, is presented solely and exclusively for the purpose of comparison with the information for 2020 and therefore does not constitute consolidated annual accounts of the Andbank Group for 2020.

▪d. Changes in accounting criteria and correction of errors

The consolidated statements of financial position, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2020 include comparative figures for 2019, which differ from those approved by the shareholders at a general meeting held on 29 April 2020 as a result of the corrections detailed below:

- As a result of an income tax inspection for 2016 and 2017 it has come to light that, for the purpose of inspection criteria, certain deductions for new investments have not been applied. In the context of the current regulatory framework for income tax, Andbank has erroneously interpreted what is stipulated in Andorran legislation regarding the deduction for new investments. Consequently, it has recognised new tax liabilities amounting to Euros 926 thousand against reserves (Euros 926 thousand in 2018).

- It has reclassified the translation differences arising from exchange rates existing at 31 December 2019 from Other reserves to Currency conversion under Accumulated other comprehensive income, for an amount of Euros 7,894 thousand (Euros 2,721 thousand in 2018).

- Prior to 31 December 2019 goodwill in foreign currency was treated as a non-monetary asset, valued at a historical exchange rate. Its valuation has been changed to a closing exchange rate, which has led to an impact of Euros 7,290 thousand in Accumulated other comprehensive income (Euros 8,205 thousand in 2018).

- It has been detected that the goodwill of Quest Capital Advisers Agente de Valores S.A. (Uruguay) showed indications of impairment, which had arisen in prior years. Following the analysis, prior years' amortisation of goodwill amounting to Euros 2,000 thousand has been recognised under Other reserves (Euros 2,000 thousand in 2018).

- The Bank has detected a series of items in its asset accounts that have been recognised incorrectly against equity and have arisen from prior years which amount to Euros 4,266 thousand (Euros 4,266 thousand at 31 December 2018). In order to correct this situation in the 2020 annual accounts and because this was a prior year error, these items have been written off against reserves (net of tax), as indicated in IAS 8.

The following statement of financial position items for 2019 have been affected by the corrections:

Statement of financial position	Presented at 31 December 2019	Impact of restatement	Restated at 31 December 2019
Intangible assets	293,510	(9,291)	284,219
Tax assets	27,499	427	27,926
Other assets	126,002	(4,266)	121,737
Total Assets	**4,574,513**	**(13,130)**	**4,561,383**
Other liabilities	77,728	926	78,654
Total Liabilities	**4,037,354**	**926**	**4,038,280**
Other accumulated comprehensive income	(2,713)	(15,185)	(17,898)
Other reserves	(101,496)	1,129	(100,367)
Total Equity	**537,159**	**(14,056)**	**523,103**

▪e. Functional and presentation currency

The figures disclosed in these consolidated annual accounts are expressed in Euros, the Andbank Group's functional currency. All the financial information is expressed in Thousands of euros.

▪f. Relevant accounting estimates and relevant assumptions and judgements when applying accounting policies

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the accounting principles to prepare the consolidated annual accounts in accordance with IFRS-Andorra and IFRS-EU. A summary of the items requiring a higher degree of judgement, complexity or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts, is as follows:

(i). Relevant accounting estimates and assumptions

The main estimates made by the Andbank Group's directors to prepare these consolidated annual accounts are as follows:

- Impairment losses on financial assets and fair value of associated guarantees.
- Impairment losses on tangible assets.
- Impairment losses on non-current assets held for sale.
- Estimates of useful lives of intangible assets.
- Estimates used to calculate provisions.
- Assumptions used in actuarial calculations made to measure pension obligations and post-employment obligations.
- Fair value of certain financial assets and financial liabilities not quoted or quoted on official secondary markets.
- Fair value of investments in subsidiaries, joint ventures and associates.

These estimates have been calculated based on the best information available at the date of these consolidated annual accounts, although future events may require changes to these estimates in subsequent years.

(ii). Relevant judgements

Information on critical judgements on the application of accounting policies which have a significant effect on the amounts recognised in the consolidated financial statements mainly refers to:

- Classification of financial assets: evaluation of the business model used by the Andbank Group for managing the financial assets and evaluation of the contractual cash flow characteristics of financial assets.
- Establishing of criteria to determine whether the credit risk of financial assets has increased significantly since initial recognition and determining of the methodology to measure the expected credit loss.
- Determination of control over investees.

▪g. New requirements of the IFRS introduced in 2020

During 2020 and prior to authorisation for issue of these annual accounts, the following standards, amendments and interpretations published by the IASB and approved for their adoption in the European Union and Andorra have come into force:

Standards and interpretations approved for their adoption in the European Union and Andorra		Mandatory adoption - years beginning on or after:
Amendments to references to the conceptual framework of IFRS	The revised conceptual framework is more complete than the previous framework: its aim is to **provide a complete series of tools for standard configuration.** It covers all the aspects of the standard configuration from the objective of financial reporting to presentation and disclosure.	1 January 2020
Amendment of IFRS 3. Definition of a business	An entity shall determine whether a **transaction or other event is a business combination by applying the definition of this IFRS**, which requires that the assets acquired and liabilities assumed constitute a business.	1 January 2020
Amendments to IAS 1 and IAS 8. Definition of material or relative importance	**The concept of material has been redefined to make it easier to understand.** This has to be a clearly understandable concept and therefore those responsible for preparing the financial statements do so in an appropriate manner given that the former definition included immaterial information. Furthermore, the definition of significant erroneous omissions or declarations has been erased.	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7. Interest Rate Benchmark Reform	The amendments deal with issues affecting financial reporting in the period before the IBOR reform. They are mandatory and apply to all hedging relationships that are directly affected by the uncertainties relating to the IBOR reform. These interest rates are used to determine the price of different financial instruments.	1 January 2020
Amendments to IFRS 16. COVID-19-Related Rent Concessions	The amendments deal with the **problems that have arisen as a result of the global COVID-19 pandemic.** It provides lessees with an exemption from recognising rent concessions as lease modifications.	1 January 2020

From all the amendments adopted in 2020, the amendment to IFRS 16 due to COVID-19 has had a significant impact on the Andbank Group's financial statements at 31 December 2020, giving rise to income of Euros 843 thousand recognised under Other operating income in the income statement.

▪h. Recent IFRS pronouncements

During 2021 and prior to the date these annual accounts were authorised for issue, the following standards, amendments and interpretations published by the IASB and approved for their adoption in the European Union and Andorra have come into force:

Standards and interpretations approved for their adoption in the European Union and Andorra		Mandatory adoption - years beginning on or after:
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Interest Rate Benchmark Reform - Phase 2	**The amendments supplement those issued in 2019.** They focus on changes to contractual cash flows, hedge accounting and reporting requirements.	1 January 2021
Amendments to IFRS 4. Application of IFRS 9 to insurance contracts	**The effective date of the standard has been deferred** to 2023, due to the delay in applying IFRS 17 to replace IFRS 4. This standard was going to disappear in 2020.	1 January 2021

The Andbank Group is currently analysing the possible impacts arising from the adoption of these standards on its accounting criteria, information to be disclosed in the annual accounts and its reporting procedures and systems. Nevertheless, the Andbank Group avails of the necessary means to adopt these standards and is currently analysing the effects that could arise.

On the other hand, at the date these annual accounts were authorised for issue, the most significant standards, amendments and interpretations published by the IASB but which have still not been adopted by the European Union or Andorra, are as follows:

Standards and interpretations pending approval for their adoption in the European Union and Andorra		Mandatory adoption - years beginning on or after:
IFRS 17 Insurance contracts	**This sets out the principles that an entity must apply to account for insurance contracts:** This new standard replaces IFRS 4. The new standard introduces a single accounting model for all insurance contracts and requires that entities use assumptions in line with their estimates.	1 January 2023
Amendments to IAS 1. Classification of Liabilities as Current or Non-Current	**The objective is to improve the determination of a liability as current or non-current.** This focuses on loans and their covenants, where the convertible debt could mean that it should be classified as a current liability, and the possible effects that reclassification could have on covenants.	1 January 2023
Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements to IFRS (2018-2020).	**Minor amendments** that clarify the draft and correct any conflicts between the requirements of the standards.	1 January 2022
Amendments to IAS 1.Disclosure of accounting policies	**Amendments to IAS require that companies disclose material information on accounting policies** instead of significant accounting policies. Amendments provide guidance on how to apply the concept of materiality to the disclosure of accounting policies.	1 January 2023
Amendments to IAS 8. Definition of accounting estimates	**The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.** This distinction is important because changes to accounting estimates are only applied prospectively to future transactions and other future events, whilst changes to accounting policies are generally applied retrospectively to past transactions and other past events.	1 January 2023

At the date these annual accounts were authorised for issue, the Andbank Group had still not evaluated the effect that these standards could have on its annual accounts, as they had not been approved for use in the European Union or Andorra.

(i). Impacts deriving from COVID-19

The emergence of COVID-19 and its spread across the globe was classified as a pandemic by the World Health Organization on 11 March 2020.

This situation forced the Andorran Government, and the majority of affected countries, to take public health measures, including different kinds of lockdown and/or quarantine, with limitations on the free movement of people, leading to border closures.

The uncertainty caused by the pandemic and the lockdown measures has triggered a significant decline in economic activity, both with regard to supply and demand. Companies have had to face partial or full disruption to their supply chains, temporary closures and a reduction in activity, whilst households have faced higher levels of unemployment and a drop in income.

Measures in Andorra

Numerous government measures have been adopted in Andorra to lessen the impact of this crisis. These measures include those set out in Laws 3/2020, 5/2020, 7/2020 and 16/2020, which include measures to deal with the economic and social impact of the health crisis caused by COVID-19. These measures aim to protect families and the most vulnerable groups of society.

Financial support measures

Based on the respective bill enacted by the Government, the General Council approved a first raft of labour, social, economic and healthcare measures, set out in Law 3/2020 of 23 March 2020 on extraordinary urgent measures for the emergency health situation caused by the SARS-CoV-2 pandemic. These measures were subsequently expanded by Law 5/2020 of 18 April 2020 on new extraordinary urgent measures due to the emergency health situation caused by the SARS-CoV-2 pandemic.

Law 5/2020 introduced a series of measures to enable companies and families financially affected by COVID-19 to delay repayment of the principal on credits or loans. These measures were subsequently ratified and supplemented by Law 16/2020 of 4 December 2020 on new extraordinary urgent measures due to the emergency health situation caused by the SARS-CoV-2 pandemic. Provided that the Government does not declare an end to the emergency health situation, Law 16/2020 stipulates by decree a moratorium for salaried workers affected by furlough or a reduction in working hours with regard to their bank mortgage or personal loans used to finance the acquisition or refurbishment of their usual place of residence or purchase a vehicle, provided that the monthly amount of the aforementioned loan and credit repayment, plus costs and basic utilities for the family unit, is equal to or higher than 30% of the net income resulting from the furlough. Likewise, a moratorium is established for individuals who own business premises or a maximum of two dwellings for lease or if they have a mortgage loan or credit destined for the acquisition or refurbishment of the aforementioned premises or dwellings that meet certain conditions. The moratorium for mortgage loan or personal loan repayments and the extension of the repayment period for mortgage credits are also applicable to salaried workers who have been made redundant as a result of the health emergency triggered by SARS-CoV-2 whilst they are unemployed and receive financial assistance for involuntary unemployment, and to individuals who are self-employed and whose activities have been suspended obligatorily by Government decree or who can justify a significant drop in revenue.

On the other hand, the Andbank Group has adhered to the sector agreement promoted by the Association of Andorran Banks (ABA) dated 11 June 2020 on the deferral of financing of customers affected financially by Coronavirus SARS-CoV-2. This agreement enables companies and families affected financially by COVID-19 to defer repayment of the principal on credits or loans. On 11 December 2020, the ABA agreed to extend the term for requesting the sector moratorium until 31 March 2021. This extension is in line with the amendment to the EBA guidelines (EBA/GL/2020/15), approved on 2 December 2020.

Measures to support customers

In addition to the measures to defer financing transactions for affected customers, the Andorran Government has also approved Decrees 24/03/20 and 20/05/2020 (both successive amendments), two extraordinary guarantee programmes for companies and businesses due to the emergency health situation caused by Coronavirus SARS-coV-2. These programmes were for an initial limit of Euros 130 million and Euros 100 million, respectively, and covered liquidity requirements, as well as costs and work to adapt premises for customer service.

Based on these programmes 12-month credit facilities have been granted to customers, which have been secured by the Andorran Government.

Declarations of regulating and supervisory bodies

Various international institutions, including the International Accounting Standards Board (IASB), the European Banking Authority (EBA), the European Central Bank (ECB), and the European Securities and Market Authority (ESMA), have issued guidelines to clarify the treatment of moratoria and to guarantee coherent application between different countries.

Based on article 4.2.a) of Law 10/2013 of 23 May 2013, the Andorran Financial Authority (AFA) adopted the following guidelines or recommendations as its own:

- At prudential level, *EBA/GL/2020/02 Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis*, issued by the EBA on 2 April 2020, to clarify which moratoria do not automatically lead to a change in risk classification and in which cases the assessment has to be made on a case-by-case basis, as well as the application of the definition of default in the context of restructuring or refinancing.

Subsequently, in accordance with *EBA/GL/2020/08 Guidelines amending Guidelines EBA/GL/2020/02, on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis* dated 25 June 2020, the date of application of the guidelines is extended to the moratoria implemented prior to 30 September 2020 in response to the COVID-19 pandemic.

On 21 September 2020 the EBA communicated that these guidelines were no longer in force due to the progression of the COVID-19 pandemic and taking into account the impact of the second wave and the governmental restrictions adopted by many EU countries. It therefore issued *EBA/GL/2020/15 Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis* on 2 December 2020, whereby it decided to reactivate the *EBA/GL/2020/02* guidelines and establish 31 March 2021 as the new deadline for their application, replacing the previous 30 September 2020 deadline.

Taking into account the conditions set out in article 49 of Law 16/2020 that regulates the new legislative moratoria and so that these EBA guidelines can be aligned to the particularities of the Andorran market, the AFA considered that these guidelines would also apply to legislative moratoria implemented prior to 30 June 2021 and that the maximum term of nine months would not be applicable.

- At accounting level, clarifications were published by the IASB on 27 March 2020, under the *name IRFS 9 and COVID-19. Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic*, which clarifies that in order for entities to evaluate both the significant increase in credit risk and the expected credit loss, they must analyse the changes over the whole expected life of a financial instrument and must base this assessment on reasonable and supportable information that is available without an undue cost.

  Likewise, based on this it can be observed that banks must take into consideration in their internal models the macroeconomic effects deriving from COVID-19 and the measures adopted by governments and, if it is not possible to include these effects, expert adjustments must be made continuously based on the information continuously available in their internal models or in relation to the application of the practical expedient set out in the EB Recommendation 01/2018 - Supervisory guidelines relating to the application of IFRS 9 - Credit risk management, issued by the AFA on 21 December 2018.

- At supervisory level, the measures adopted by the ECB and published on 1 April 2020 under the name *IFRS 9 in the context of the coronavirus (COVID-19) pandemic - Guidance on the use of forecasts to estimate the ECL during the COVID-19 pandemic*.

  In these guidelines, the ECB recommends that entities avoid procyclical assumptions, warns about the sensitivity of macroeconomic variables in collective models and recommends the use of these variables in the long term horizon to the extent that they continue to be representative.

Going concern principle

When applying the going concern principle, the Andbank Group has considered the uncertainties generated by the health crisis triggered by COVID-19, concluding that there are no material uncertainties regarding the capacity to continue as a going concern.

During 2020 the Andbank Group has not been significantly affected by COVID-19.

3. Relevant accounting principles and valuation standards

▪a. Business combinations and consolidation principles

The consolidated financial statements of the Andbank Group at 31 December 2020 and 2019 have been prepared by the management of the Andbank Group.

The Andbank Group's consolidated statement of position includes, in addition to the figures for the Parent, those corresponding to the subsidiaries, jointly-controlled entities and associates. Appendix I contains a list of these companies.

The process used to integrate the assets and liabilities of these companies is carried out based on the type of control or influence exercised thereon.

(i). Subsidiaries

The statement of financial position includes, in addition to the figures for the Parent, those corresponding to the subsidiaries, jointly-controlled entities and associates.

The process used to integrate the assets and liabilities of these companies is carried out based on the type of control or influence exercised thereon.

The Andbank Group considers subsidiaries to be those over which it has control. Control arises when:

- It has power over the investee.
- It has exposure, or rights, to variable returns from its involvement with the investee.
- It has the ability to use its power over the investee to affect the amount of the investor's returns.

Generally, voting rights give the power to direct relevant activities of an investee. To calculate this, all the direct and indirect voting rights are taken into account, including the potential rights such as call options on equity instruments of the investee. In certain situations, power could be used to direct activities without having the majority of voting rights.

In these situations it is evaluated whether it has the practical ability to direct its relevant activities unilaterally. Relevant activities include financial or operating activities or those relating to the appointment and remuneration of the management bodies, inter alia.

Prior to consolidation the financial statements of the subsidiaries are unified to IFRS-EU and IFRS-Andorra.

The subsidiaries are fully consolidated, irrespective of their activity, with those of the Andbank Group, which involves aggregating the assets, liabilities and equity, income and expenses of a similar nature disclosed in the individual statements of financial position. A percentage of the carrying amount of direct and indirect holdings in subsidiaries is eliminated equivalent to the proportion of equity of these subsidiaries represented by these holdings. The remaining balances and transactions between consolidated companies are eliminated in the consolidation process.

Results of the subsidiaries acquired during the year are consolidated based on the results generated since the acquisition date. Likewise, the results of subsidiaries which cease to be subsidiaries during the year, are consolidated by the amount of the results generated from the beginning of the year to the date on which control is lost.

Acquisitions and disposals which do not imply a change of control in the investee are recognised as asset and liability transactions and no gains or losses are recognised in the consolidated income statement. The difference between the consideration given or received and the decrease or increase of non-controlling interests, respectively, is recognised under reserves.

IFRS 10 stipulates that when control of a subsidiary is lost, the assets, liabilities and non-controlling interests, as well as other items which could be recognised in valuation adjustments are derecognised from the consolidated statement of financial position and the fair value of the consideration received as well as any retained investment is recognised. The difference between both these amounts is recognised in the consolidated income statement.

(ii). Joint ventures (jointly-controlled entities)

The Andbank Group considers jointly-controlled entities to be those which are not subsidiaries and which, due to contractual agreement, it controls together with other shareholders. In these situations, decisions about the relevant activities generally require the unanimous consent of the parties sharing control.

Prior to consolidation the financial statements of the jointly-controlled entities are unified to IFRS-EU and IFRS-Andorra.

(iii). Associates

Associates are entities over which the Andbank Group, either directly or indirectly, exercises significant influence (understood as the power to participate in the financial and operating policy decisions of an entity but is not control of those policies) and which are not subsidiaries or jointly-controlled entities. Significant influence arises, in the majority of cases, when 20% or more of the voting power of the investee is held. If less than 20% of the voting power is held, significant influence shall arise if any of the circumstances indicated in IAS 28 exist. The circumstances which usually evidence the existence of significant influence are the representation on the board of directors, participation in policy-making processes, the existence of material transactions between the entity and its investee, the interchange of managerial personnel or the provision of essential technical information.

Exceptionally, those entities in which more than 20% of voting rights are held in the investee are not considered as associates, since it can be clearly demonstrated that this influence does not exist and therefore the Andbank Group loses the power to participate in financial and operating policy decisions.

Prior to consolidation the financial statements of the associates are unified to IFRS-EU.

Associates are accounted for in the consolidated statement of financial position of the Andbank Group using the equity method, i.e. for the percentage of their equity equal to the Andbank Group's percentage shareholding, after taking into account dividends received and other equity eliminations. The same percentage of any gains or losses from transactions with associates is eliminated. The proportional part is recognised in the Andbank Group's income statement based on the economic participation of the results of associates.

The Andbank Group has not used the financial statements of entities which are equity accounted and which refer to a date different to that of the Parent of the Andbank Group.

(iv). Andbank Group companies

Appendix 1 includes information on the subsidiaries, jointly-controlled entities and associates included in the consolidated group, providing details of their domicile, percentage ownership and activities.

A brief description of the significant events arising in the Andbank Group companies during 2020 and 2019 is as follows:

The Andbank Group in Brazil has carried out the following corporate restructuring transactions in 2019:

- Takeover merger of Andbank Financeira Ltda. (absorbed company) by Andbank Distribuidora de Titulos e Valores Mobiliarios Ltda. (absorbing company). Consequently, Banco Andbank (Brasil), S.A. became the direct shareholder of Andbank Distribuidora de Titulos e Valores Mobiliarios Ltda.

- Takeover merger of Andbank (Brasil) Holding Financeira Ltda. (absorbed company) by Banco Andbank (Brasil) S.A. (absorbing company). Consequently, Andorra Banc Agrícol Reig, S.A. became the direct shareholder of Banco Andbank (Brasil), S.A.

- Takeover merger of Andbank Wealth Participaçoes Ltda. (absorbed company) by Andbank Participaçoes Ltda. (absorbing company) to simplify the structure of the holding.

- Spin-off of Andbank Participaçoes Ldta. The two companies resulting from the spin-off (Andbank Participaçoes Ltda. "1" and Andbank Participaçoes Ltda. "2") became, respectively, shareholders of Andbank Corretora de Seguros de Vida Ltda. and Andbank Gestao de Patrimonio Financeiro Ltda. At the same time the takeover merger took place of Andbank Participaçoes Ltda. "1" (absorbed company) by Andbank Corretora de Seguros de Vida Ltda. (absorbing company) and the takeover merger of Andbank Participaçoes Ltda. "2" (absorbed company) by Andbank Gestao de Patrimonio Financeiro Ltda. (absorbing company).

On 23 November 2020, the AFA granted prior authorisation to increase the share capital of BANCO ANDBANK (BRASIL) by a maximum amount of Euros 15 million (at the Brazilian Real exchange rate at the transaction date). On 20 January 2021 the Brazil Central Bank approved a first increase of Brazilian Reals 30 million, to reach a total share capital of Brazilian Reals 252 million.

On 25 January 2019 a public deed was granted for the incorporation of MYINVESTOR, SL. This transaction was authorised by the AFA on 23 January 2019. This company is registered by the Banco de España as an agent of ANDBANK ESPAÑA, SAU.

On 11 November 2019 a public deed was granted for the merger of MERCHBAN, S.A., MERCHBOLSA, AV, SA and MERCH GESTIÓN, SLU with ANDBANK ESPAÑA, SAU. This transaction was authorised by the AFA on 31 May 2019 and pursuant to the Ministerial Order of the Spanish Ministry of the Economy and Business issued on 10 September 2019.

On 10 January 2019, the AFA granted prior authorisation to liquidate the banking license of ANDBANK (PANAMA), now called QUEST WEALTH ADVISERS, INC, for the purpose of focusing exclusively on brokerage house activity in Panama. Subsequently, as per the Resolution SBP-0058-2020 of 13 May 2020 the Superintendency of Banks of Panama, amongst other aspects: (i) informs that Resolution SBP No 220-2009 of 29 September 2009 ceases to have effect, through which the International Banking License is issued in favour of ANDBANK (PANAMÁ), S.A. and ii) authorises this subsidiary to amend its articles of association and modify its name to that of QUEST WEALTH ADVISERS, INC to continue its operations as a brokerage house. As part of this process, on 31 July 2020 the AFA was informed of the US Dollar 6 million reduction in share capital of the aforementioned subsidiary. As a result, share capital dropped to US Dollars 1 million.

On 29 January 2020, the AFA granted prior authorisation to wind up and liquidate the subsidiary AB SYSTEMS, SAU, wholly-owned by ANDORRA BANC AGRÍCOL REIG, S.A. This company was wound up and liquidated on 13 October 2020 and the public deed of liquidation and extinguishment was granted, foreclosing assets by way of liquidation payments.

On 27 January 2020 the AFA granted prior authorisation to the following companies so that they could carry out a series of capital increases: (i) NOBILITAS N.V., (ii) EGREGIA B.V. (Netherlands), (iii) ZUMZEIGA COÖPERATIEF U.A. and (iv) ANDBANC WEALTH MANAGEMENT, LLC (USA). On 23 March 2020 the AFA was informed of the following transactions.

On 24 July 2020 the AFA granted prior authorisation for the sale of 5% of the share capital of the banking subsidiary ANDBANK MONACO SAM. Subsequently on 27 August the AFA was informed of the execution of this transaction for the sale of the aforementioned percentage in share capital.

On 20 July 2018 the AFA granted prior authorisation for the creation of an Argentine company under the name of Quest Capital Advisers, S.A. Andorra Banc Agrícol Reig, S.A. and Andorra Gestió Agrícol Reig, S.A.U., SGOIC are the only two shareholders in this company, with a 95% and 5% interest, respectively, the statutory activity of which mainly involves the rendering of investment advisory services. The aforementioned company was incorporated with a minimum share capital of Argentine Pesos 100 thousand (US Dollar equivalent) with the possibility of increasing to US Dollars 2 million. On 28 January 2019 share capital was increased by Argentine Pesos 14,563 thousand (equivalent to US Dollars 400 thousand), which was registered by the AFA on 31 July 2019. Finally, on 4 December 2020 the AFA was informed of a capital increase of approximately US Dollars 240 thousand (equivalent amount in Argentine Pesos).

On 25 November 2019, the AFA granted prior authorisation to increase the share capital of AND PB Financial Services, S.A. by an amount of up to US Dollars 250 thousand by capitalising a loan that the company had with the Andbank Group.

On 16 January 2020 the AFA granted prior authorisation to Merchbanc, S.A. so that it could sell Merchbanc, S.G.I.I.C., S.A.U. On 23 January 2020 the deed for the sale of Merchbanc, S.G.I.I.C. was signed.

▪b. Financial instruments

(i). Classification of financial assets and financial liabilities

IFRS 9 defines the criteria for classifying financial instruments based on an analysis of the business model of financial assets and the characteristics of contractual cash flows. The Andbank Group has identified three different business models for the debt securities portfolio and a business model for the loans and advances portfolio.

The three business models for the debt securities portfolio are as follows: a) model focused on receiving contractual cash flows, which mainly include financial instruments with a long-term time horizon and for the purpose of generating a stable financial margin; b) model focused on receiving contractual cash flows and on sales, which mainly include financial instruments with a medium-term time horizon for the purpose of generating a stable financial margin, as well as generating cash flows for sales when there are optimum market conditions;

and c) other business models, which include, on the one hand, a model focused on generating cash flows for active management of purchases and sales of financial instruments, as well as, on the other hand, a model focused on the management of liquidity through purchases and sales with a short-term time horizon.

The business model identified for the loan and advances portfolio is a model focused on receiving contractual cash flows for the purpose of generating a stable financial margin.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, measured at fair value through other comprehensive income, measured at fair value through profit or loss and held for trading.

The classification of financial instruments in the category of amortised cost or fair value involves two tests: the business model and assessment of contractual cash flows, known as solely payments of principal and interest (SPPI) criteria. The objective of the SPPI test is to determine whether, in accordance with the contractual characteristics of the instrument, its cash flows represent solely the payment of the principal and interest, understood as consideration of the time value of money and the credit risk of the debtor. Therefore, taking into consideration the business model and contractual cash flows:

- A financial instrument is classified in the amortised cost portfolio when it is held within a business model, whose objective is to hold the financial instrument in order to collect contractual cash flows and comply with the SPPI test.

- A financial instrument is classified under financial assets at fair value through other comprehensive income if the financial instrument is held within a business model, whose objective is achieved by both collecting contractual cash flows, and selling and complying with the SPPI test.

- A financial instrument is classified at fair value through profit or loss provided that the Andbank Group's business model for its management or the characteristics of its contractual cash flows, means that it should not be classified in any of the aforementioned portfolios.

Details of the valuation methods of financial instruments, taking into consideration their classification, are as follows:

- **Amortised cost:** These include financial instruments held within a business model whose objective is to collect principal and interest contractual cash flows, over those where no significant unjustified sales exist and fair value is not a key factor in managing these changes. Unjustified sales are those that are different from sales related to an increase in the asset's credit risk, with unanticipated funding needs (stress case scenarios), even if such sales are significant in value, or from sales of assets that no longer meet the credit criteria specified in the investment policy Additionally, the contractual cash flow characteristics substantially represent a "basic financing agreement".

  Initial and subsequent measurement:

  Financial assets and financial liabilities at amortised cost are initially measured at fair value, plus or minus transaction costs, and are subsequently measured at their amortised cost using the effective interest method.

- **Fair value through other comprehensive income:** These include financial instruments held within a business model whose objective is achieved by both collecting cash flows of principal and interest and selling these assets, with the fair value being a key element in the management of assets. Additionally, the contractual cash flow characteristics substantially represent a "basic financing agreement".

  Initial measurement:

  Financial assets at fair value through other comprehensive income are initially recognised at fair value plus transaction costs directly attributable to the acquisition.

  Subsequent measurement:

  Subsequent to initial recognition financial assets classified in this category are measured at fair value, recognising gains or losses in other comprehensive income, with the exception of exchange gains or losses and expected credit losses. The amounts recognised under other comprehensive income are recognised in profit or loss upon derecognition of financial assets. However, interest calculated using the effective interest method is recognised in profit or loss.

- **Fair value through profit or loss for the period**: These include financial instruments held within a business model whose objective is not achieved using any of the aforementioned methods, with the fair value being a key factor in the management of these assets. In addition, the characteristics of the contractual cash flows do not substantially represent a basic financing agreement.

These include financial instruments designated upon initial recognition, such as for example hybrid financial assets and liabilities which have to be fully measured at fair value, as well as financial assets which are managed together as Liabilities under insurance contracts measured at fair value, or with financial derivatives to reduce exposure to variations in fair value or are managed together with financial liabilities and derivatives for the purpose of reducing the global interest rate risk exposure.

In general, this category includes all those assets which, in being classified as such, eliminate or significantly reduce a measurement or recognition inconsistency (accounting mismatches). The financial instruments in this category must be permanently subject to an integrated and consistent system of measuring, managing and controlling risks and results, which enables it to be proven that the risk is effectively reduced. Financial assets and financial liabilities can only be included in this portfolio on the date of their acquisition or when they originate.

Initial measurement:

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense when incurred.

Subsequent measurement:

After initial recognition, they are recognised at fair value through profit or loss. Changes in fair value include the interest and dividend component. Fair value is not reduced by transaction costs incurred on sale or disposal.

All financial liabilities are initially recognised at fair value, minus transaction costs that are directly attributable to the issue of financial instruments that are not measured at fair value through profit or loss.

Financial liabilities are classified in the following categories:

- Financial liabilities measured at amortised cost: liabilities recognised in this line item of the statement of financial position are measured after their acquisition at amortised cost, which is determined in accordance with the effective interest rate method.

- Financial liabilities held for trading: instruments are included in this category when the Andbank Group's objective is to generate profits through purchasing and selling these instruments.

After their initial recognition these financial instruments are measured at fair value and changes in their value (gains or losses) are recognised at their net amount in Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net on the income statement.

(ii). Impairment of financial assets

The impairment model also applies to financial assets at amortised cost and financial assets at fair value through other comprehensive income, but not to equity investments and financial guarantee contracts and loan commitments that can be unilaterally revoked by the Bank. Likewise, the business model excludes all financial instruments measured at fair value through profit or loss.

When measuring financial assets or financial liabilities it will always be considered whether they are held for trading or whether they are mandatorily measured at fair value through profit or loss, financial assets and financial liabilities at amortised cost or financial assets measured at fair value through other comprehensive income, separating the equity instruments designated as such from the remaining financial assets.

IFRS 9 classifies financial instruments into three categories, depending on the performance of their credit risk from initial recognition. The first category includes transactions when they are initially recognised (Stage 1), the second category includes transactions for which a significant rise in the credit risk since initial recognition has been identified (Stage 2) and the third category includes credit-impaired transactions (Stage 3).

The calculation of credit risk coverage in each of these three categories is done differently. A 12-month expected credit loss must be recognised for transactions classified in the first of the aforementioned categories, whilst estimated credit losses for the whole of the expected remaining life of the transactions must be recognised for the transactions classified in the other two categories.

IFRS 9 differentiates between the following concepts of expected credit loss:

- 12-month expected credit losses: Are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date of the financial statements; and

- Life-time expected credit losses: Are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

(iii). Transfers and derecognition of financial assets and financial liabilities

A financial asset is fully or partially derecognised from the consolidated statement of financial position when the contractual rights to the cash flows from the financial asset expire or when the asset is transferred to a third party outside the entity. Likewise, the derecognition of financial assets in those circumstances in which the Andbank Group retains the contractual rights to receive the cash flows only takes place when the contractual obligations to pay the cash flows to one or more recipients have been assumed and the following requirements are met:

- Payment of the cash flows is conditional on their prior collection;

- The Andbank Group is unable to sell or pledge the financial asset, and

- Cash flows collected on behalf of eventual recipients are remitted without material delay and the Andbank Group is not entitled to reinvest such cash flows. This criteria is not applied in the case of investments in cash or cash equivalents made by the Andbank Group during the settlement period from the collection date to the date of required remittance to the eventual recipients, provided that the interest earned on such investments is passed to the eventual recipients.

The accounting treatment of transfers of assets depends on the extent to which the risks and rewards of ownership of the assets are transferred: In this case:

- If the risks and rewards of ownership of the financial asset are transferred substantially, (as in the case of unconditional sales, sales of financial assets under an agreement to repurchase them at their fair value at the date of repurchase, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitisation of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to new holders, inter alia), the transferred financial asset is derecognised in the consolidated statement of financial position and any right or obligation retained or created in the transfer is recognised simultaneously.

- If the risks and rewards inherent to ownership of the transferred financial asset are substantially retained (such as in the case of financial assets sold under an agreement to repurchase them at a fixed price or at the sale price plus a lender's return, the securities loan agreements in which the borrower is under the obligation to return these securities or similar assets or other similar situations) they are not derecognised in the consolidated statement of financial position and continue to be measured using the same criteria used prior to the transfer and the following are recognised:

    - An associated financial liability for an amount equal to that of the consideration received, which is measured subsequently at amortised cost, unless the requirements are met for classifying it as other liabilities at fair value through profit or loss.

    - Income from the transferred financial asset that is not derecognised and any expense incurred on the new financial liability without being offset.

- If all the risks and rewards associated with the transferred financial assets are neither substantially transferred nor retained (i.e. sale of a financial asset with a call option acquired or put option written in or outside the market, securitisation in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases) a distinction is made between:

    - If the transferor does not retain control of the transferred financial asset, it is derecognised from the consolidated statement of financial position and any right or obligation retained or created in the transfer is recognised.

    - If the transferor retains control of the transferred financial asset, it continues to recognise the asset in the consolidated statement of financial position for an amount equal to its exposure to changes in value and recognises a financial liability associated with the transferred asset. The net amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained, if the asset is measured at amortised cost; or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Likewise, financial liabilities are removed from the consolidated statement of financial position when the obligations specified in the contract are discharged or cancelled or expire.

If, as a result of a transfer, a financial asset is derecognised in its entirety, the financial assets obtained or financial liabilities, including uncorrected servicing liabilities, are recognised at fair value.

(iv). Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset, and consequently are presented in the consolidated statement of financial position at the net amount, only when the Andbank Group has the legally enforceable right to set off the recognised amounts and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. So that the Andbank Group has the legally enforceable right, it must not be contingent on a future event and must be legally enforceable in the normal course of business, the event of default, or in the event of insolvency or bankruptcy.

At 31 December 2020 there are no offset financial asset and financial liability positions.

(v). Hedge accounting

The assets and liabilities recognised in these line items of the consolidated statement of financial position are measured at fair value.

Changes arising subsequent to the designation of the hedge, in the measurement of financial instruments designated as hedged items and financial instruments designated as accounting hedges, are recognised as follows:

- In the case of fair value hedges, the differences arising in the fair value of the derivatives and hedged instrument attributable to the hedged risk, are recognised directly under Gains or losses from hedge accounting, net on the consolidated income statement; using as a balancing entry the headings of the consolidated statements of financial position where the hedging item is recognised (Derivatives - hedge accounting) or the hedged item, where applicable. Almost all of the hedges made by the Andbank Group are interest rate hedges for which their valuation differences are recognised under Interest income or Income expenses in the consolidated income statement.

- When hedging the fair value of interest rate risk of a portfolio of financial instruments or own debt (macro hedges), gains or losses arising from the valuation of the hedging instrument are recognised directly in the consolidated income statement and gains or losses arising from the valuation of the fair value of the hedged item (attributable to hedged risk) are also recognised in the consolidated income statement (in both cases under Gains or losses from hedge accounting, net) using as a balancing entry the asset and liability headings Fair value changes of the hedged items in portfolio hedge of interest rate risk in the consolidated statements of financial position, where applicable.

- For cash flow hedges, the differences in value arising in the effective portion of the hedged items are temporarily recognised under Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Hedging derivatives. Cash flow hedges on the consolidated statements of financial position, with a balancing entry in Derivatives - hedge accounting under assets or liabilities on the consolidated statements of financial position, where applicable. These differences are recognised in the consolidated income statement under Interest income or Interest expenses when the losses or gains on the hedged item are recognised in profit or loss, when the foreseen transactions are performed or on the maturity date of the hedged item. Almost all of the Andbank Group's hedges are interest rate hedges and therefore, differences in value are recognised under Interest income or Interest expenses in the consolidated income statement.

- Differences in value of the hedging instrument corresponding to the non-effective portion of the cash flow hedging operations are recognised directly under Gains or losses from hedge accounting, net in the consolidated income statement.

- For hedging of net investments in foreign operations, the differences in value arising in the effective portion of the hedged items are recognised temporarily in Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Hedge of net investments in foreign operations on the consolidated statements of financial position, with a balancing entry under Derivatives - hedge accounting in assets or liabilities of the consolidated statements of financial position, where applicable. These differences in value are recognised under Exchange differences, net on the consolidated income statement when the foreign investment is disposed of or derecognised in the consolidated statements of financial position.

(vi). Fair value of financial instruments

All financial instruments are classified in one of the following input levels based on the methodology used to obtain their fair value:

- Level 1: Based on quoted prices in active markets.

- Level 2: Using valuation techniques in which the inputs considered correspond to directly or indirectly observable market data or quoted prices in active markets for similar instruments.

- Level 3: Using valuation techniques where some of the significant inputs are not derived from directly observable market data.

Process of determining the fair value

The process for determining the fair value established by the Andbank Group ensures that assets and liabilities are adequately measured. The Andbank Group has set up a structure of committees in charge of proposing and validating the contracting of financial instruments on the market. Market inputs and other parameters and methodologies used to measure and quantify risks, as well as the conditioning factors for recognising transactions and possible impacts of an accounting, legal or tax nature are subject to analysis prior to authorisation by the areas in charge. Issues relating to the measurement of derivative instruments and fixed income instruments are the responsibility of an independent and organisational unit located within the Middle Office department. The members of this unit report the decisions made to the management area where the new product is to be contracted. Without jeopardising its autonomy and independence in decision making with regard to the measurement and quantification of risks, this analysis involves contrasting, reconciling and, where possible, agreement with the business areas.

For the Andbank Group, the majority of the financial instruments recognised at fair value have as an objective benchmark for determining their fair value, quoted prices on active markets (Level 1) and therefore, in order to determine their fair value the price which would be paid in an organised, transparent and deep market would be used (quoted price or market price). In general, this level would include debt securities in a liquid market, quoted equity instruments and derivatives traded on organised markets, as well as investment funds.

The fair value of those instruments classified in Level 2 for which no directly observable market price exists, is estimated based on recent quoted prices of similar instruments and valuation models which have been sufficiently tried and trusted by the international financial community, taking into consideration the specific features of the instrument to be valued and, above all, the different types of associated risk. Almost all financial instruments recognised as trading derivatives and hedging derivatives are measured in accordance with the criteria set out for Level 2.

In order to obtain the fair value of the other financial instruments classified in Level 3, for the valuation no directly observable market data exists, and alternative techniques are used, including the request of the price from the trading entity or the use of market parameters corresponding to instruments with a risk profile similar to the instrument subject to valuation, adjusted for the purpose of obtaining the different intrinsic risks.

For unquoted equity instruments classified in Level 3, it is considered that their cost of acquisition, reduced by any impairment loss obtained based on publicly available information is the best estimate of their fair value.

Valuations obtained for internal models could differ if other methods or assumptions had been applied in the interest rate risk, credit risk spreads, market risk, currency risk or in the corresponding matching and volatility. Nevertheless, the directors of the Andbank Group consider that the models and techniques applied adequately reflect the fair value of the financial assets and financial liabilities recognised in the consolidated statement of financial position, as well as the results generated by these financial instruments.

All financial instruments are initially recognised at fair value which, unless there is evidence to the contrary, equals the transaction price.

Subsequently, on a specific date, the fair value is taken to be the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The most objective benchmark for the fair value of a financial instrument is the quoted price in an active, transparent and deep market, for which the quoted price or market price is used.

If there is no market price, the fair value is estimated based on the price of recent transactions involving similar instruments and, failing that, on models that have been adequately tested and recognised by the international financial community. Consideration must always be given to the specific nature of the instrument to be valued and, in particular, to the different types of risk associated with the instrument.

Except for trading derivatives, all the variations in the value of financial instruments due to the accrual of interest and similar items, are recognised under Interest and similar income or Interest and similar charges, where applicable, in the income statement for the year in which the accrual takes place. Dividends received from other companies are recognised as Dividend income in the consolidated income statement of the year when the right to receive them arises.

Transfers between levels

In accordance with international standards, classification levels established based on the observability and significance of the inputs used in the methodology to calculate the fair value must be reviewed periodically. The criteria applied to revalue the portfolio is reviewed at least every month and two circumstances could arise:

- Improvements to the valuation level of financial instruments as a result of having obtained prices published by market price contributors or because the quality of the price published has improved.

- Worsening of the valuation level of financial instruments as a result of the market price contributors having ceased to publish prices or because the quality of the price published has worsened.

Sensitivity analysis

In order to determine whether a significant variation arises in the value of financial instruments classified in Level 3, as a result of changes to one or more unobservable market inputs which reflect reasonably probable alternative valuations, the Andbank Group has performed an analysis of the most significant instruments and no substantial alterations to the values obtained have come to light. (see note 38 on risk management).

Credit valuation adjustments.

The credit valuation adjustment (CVA) is an adjustment to the valuation of over-the-counter (OTC) derivatives as a result of the risk associated with credit exposure of each counterparty.

The CVA is calculated taking into consideration the expected exposure with each counterparty in each future term, with the CVA for a certain counterparty being equal to the sum of CVA for all the terms. The adjustments to be made are calculated using an estimate of the exposure at impairment, the probability of impairment and the loss given impairment for all the derivatives on any underlying, at legal entity level with which the Andbank Group has exposure.

The data required to calculate the probability of impairment and the loss given impairment arise from credit markets (credit default swaps), applying that of the Bank in cases where it exists. For those cases in which this information is not available, the Andbank Group carries out an exercise which takes into consideration, inter alia, the sector and rating of the counterparty to assign probabilities of both probability of impairment and loss given impairment, calibrated directly to market or with an adjustment market factor for the probability of impairment and historical expected loss.

The debit valuation adjustment (DVA) is a valuation adjustment similar to the CVA, but in this case it arises as a result of the Bank's own risk, which is assumed for those counterparties which have exposure with OTC derivatives. Likewise, the DVA is calculated as the result of the expected negative exposure given the probability of impairment and multiplying the result by the loss given impairment of the Andbank Group.

The credit spread at a certain term can be expressed as the result between the probability of impairment in this term and the loss given impairment.

▪c. Equity instruments issued

An equity instrument is any contract that evidences a residual interest in the assets or an entity after deducting all of its liabilities. Therefore, to be classified as such, an instrument must meet both of the following conditions:

- There is no contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable (to the issuer of the instrument).

- If a derivative can or may be settled in the issuer's own equity instruments then it is a derivative for which the issuer is obliged to deliver a fixed number of own equity instruments; or a derivative that will only be settled by the issuer by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Therefore, an instrument is considered to be a financial liability if:

- There is a contractual obligation to deliver cash or another financial asset to another entity;

- There is a contractual obligation to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable (to the issuer of the instrument) or;

- It is a non-derivative for which the issuer is obliged to deliver a variable number of its own equity instruments; or

- A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Otherwise, if these four conditions are not met the instrument will be classified as an equity instrument because as set out in IAS 32 an equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

▪d. Financial guarantees

Financial guarantees issued

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under contractual terms, irrespective of the way in which the obligation is instrumented, whether a guarantee, financial guarantee, insurance contract or credit derivative.

Financial guarantees are all those which directly or indirectly guarantee debt instruments such as loans, credits, finance lease operations and late payment of all kinds of debts.

Guarantees or guarantee contracts are insurance contracts which include the obligation to reimburse a beneficiary in the event that a specific obligation different to a specific debtor's payment obligation is not met, i.e. guarantees to secure participation in auctions and tenders, irrevocably formalised guarantee promises or any other technical guarantee.

All these operations are disclosed in a memorandum item to the statement of financial position, under Contingent exposure.

Upon formalising financial guarantees and guarantee contracts they are recognised at fair value plus transaction costs, understood as the premium received plus the present value of future cash flows under Loans and receivables - Debt securities with a balancing entry under Financial liabilities measured at amortised cost - Other financial liabilities or under Other liabilities, respectively. Changes to the fair value of the contracts are recognised as finance income in the consolidated income statement.

Financial guarantees and guarantee contracts, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to estimate the provision amount. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments measured at amortised cost.

Provisions created for these contracts are recognised under Provisions - Provisions for contingent exposures and commitments.

Should it be necessary to set up a specific provision for financial guarantee contracts, the corresponding fees and commissions pending accrual are reclassified from Financial liabilities measured at amortised cost - Other financial liabilities to Provisions - Provisions for contingent exposures and commitments.

Financial guarantees received

The Andbank Group has not received significant guarantees for which it is authorised to sell or pledge, unless non-payment by the holder of the guarantee has arisen, except for those pertaining to the treasury business.

▪e. Foreign currency and functional currency transactions

The Andbank Group's functional and presentation currency is the Euro. Therefore, all balances and transactions denominated in currencies other than the Euro are deemed to be denominated in foreign currency. Functional currency is understood to be the currency of the main economic environment in which the Andbank Group operates. Depending on the country, the functional currency could differ from the Euro. The presentation currency is that which the Andbank Group uses to prepare its financial statements.

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

At the end of each reporting period foreign currency monetary items are converted into Euros using the average exchange rate of the spot currency market corresponding to each year end.

Forward contracts in foreign currencies, which are not hedges, are valued at the forward currency market exchange rates at reporting date.

The exchange rates used to convert the foreign currency balances to Euros are those published by the Association of Andorran Banks at 31 December of each year.

The exchange differences produced when converting the balances in foreign currency to the functional currency of the Andbank Group are generally recognised under Exchange differences (net) in the consolidated income statement.

The assets and liabilities of subsidiaries in currencies other than the Euro have been converted to Euros using the market exchange rate in force at the statement of financial position date, except for non-monetary items valued at historical cost, and the profit/loss for the year of subsidiaries have been converted into Euros using the average exchange rate for the period.

Although differences between domestic and foreign currencies are usually reflected in profit/loss for the year, in certain circumstances they are recognised in the statement of other comprehensive income:

- Financial assets at fair value through other comprehensive income.

- A financial liability designated for hedging investments in a foreign transaction, taking into consideration that this hedging is considered effective.

- Cash flow hedges provided that it is considered as effective hedging.

▪f. Recognition of income and expenses.

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

Interest income and expenses, dividends and similar items

Interest income, interest expenses and similar items are recognised on an accrual basis using the effective interest method, independently of when the associated cash or financial flows arise. Interest accrued on receivables classified as doubtful, including those associated with country risk, is credited to income when collected, as an exception to the general rule. Dividends received from other companies are recognised as income when the right to receive them arises, i.e. when the dividend payment is officially declared by the company's governing body.

Fees and commissions

The recognition of income and expenses for fees and commissions in the consolidated income statement varies according to the nature of such items.

- Financial fees and commissions, such as loan arrangement fees, are a part of the integral return or effective cost of a financial transaction and are recognised under the same headings as the finance income or costs, i.e. Interest and similar income and Interest and similar charges. These fees and commissions, which are collected in advance, are recognised in the consolidated income statement over the life of the transaction. For financial instruments measured at fair value through profit or loss the fees and commission are recognised immediately in the income statement.
- Non-financial fees and commissions deriving from the provision of services are recognised under Fee and commission income and Fee and commission expense over the period in which the service is provided, except for those relating to services provided in a single act, which are accrued when the single act is carried out.

Non-finance income and expense

These are recognised for accounting purposes on an accrual basis.

Deferred collections and payments.

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

▪g. Investment funds, pension funds and other managed equity.

Investment funds and pension funds managed by the consolidated companies are not recognised in the Andbank Group's consolidated statement of financial position because the fund assets are owned by third parties. Fees and commissions accrued during the year for this activity are recognised under Fees and Commissions received in the consolidated income statement.

The consolidated statement of financial position does not include other assets managed by the consolidated companies which are owned by third parties and for which a fee is obtained for their management.

▪h. Employee benefits.

Obligations for contributions to defined contribution plans are considered as an expense in the consolidated income statement. Contributions paid in advance are recognised as an asset as it is understood that reimbursement by part of the funds or a reduction in future payments could take place.

This includes all the types of consideration given in exchange for the services rendered by Andbank Group employees or for termination benefits. They can be classified into three categories:

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

Short-term employee benefits

These reflect benefits to employees, which differ from termination benefits, which are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. They include wages and salaries and social security contributions, paid annual leave and paid sick leave or bonuses and non-monetary benefits for employees.

The cost of services rendered is recognised under Administrative expenses - Staff expenses in the consolidated income statement.

Credit facilities granted to employees under market conditions are considered as non-monetary remuneration and are estimated as the difference between the market conditions and conditions agreed with the employees. This difference is recognised under Administrative expenses - Staff expenses with a balancing entry under Interest and similar income in the consolidated income statement.

Post-employment benefits

Post-employment benefits are those benefits that the Andbank Group has assumed with its employees and which will be settled at the end of their employment with the Andbank Group. They include retirement benefits, e.g. pensions and lump sum payments on retirement and other post-employment benefits such as post-employment life insurance and post-employment medical care.

Other long-term employee benefits

Other long-term employee benefits, such as commitments with early retired personnel (those who have ceased to render services in the Bank but who, without being legally retired, continue with economic rights until being legally retired) and other similar items are recognised, where applicable, with the exception of actuarial gains and losses which are recognised under Provisioning expense in the consolidated income statement.

▪i. Income tax

On 1 December 2011 the General Council of the Principality of Andorra approved Law 17/2011 of 1 December 2011 amending Law 95/2010 of 29 December 2010 on income tax (published in edition 80 of the Official Gazette of the Principality of Andorra (BOPA), dated 28 December 2011). This Law came into force the day after it was published in the BOPA and applies to taxation periods starting after 1 January 2012. The Andbank Group pays tax at a rate of 10%.

On 13 June 2012 the Andorran Government approved the Regulation regulating Law 95/2010 of 29 December 2010 on income tax and Law 96/2010 of 29 December 2010 on taxation of economic activities, which sets out the formal obligations of the parties required to pay these taxes as well as the system for managing, settling and monitoring the aforementioned taxes.

Payment on account is calculated by applying 50% to the net tax payable for the prior year.

Taxable income is determined using the direct determination method and is calculated by adjusting the accounting profit, in accordance with the Accounting Plan for the Financial Sector, applying the principles and criteria of classification, valuation and temporary recognition set out in the requirements of the Income tax law, which permit off-balance sheet adjustments. Income tax expense represents the sum of the income tax expense for the year and the effect of the changes in deferred tax assets and liabilities and tax credits.

Both positive and negative off-balance sheet tax adjustments can be permanent or temporary according to whether they are reversed or not in subsequent tax periods. The income tax expense for each year is calculated based on profit before tax, adjusted for permanent differences with fiscal criteria and less any applicable tax credits and deductions. The tax effects of temporary differences, unused credits for tax losses and rights to deductions and credits pending application are included, where applicable, in the corresponding consolidated statement of financial position captions, classified on the basis of the term according to the forecast review or realisation period.

Deferred tax assets and liabilities include temporary differences identified as those amounts which are payable or recoverable for differences between the carrying amounts of assets and liabilities and their tax value, as well as tax loss carryforwards and credits for tax credits not applicable for tax purposes. These amounts are recognised by applying the temporary difference or credit at the tax rates at which they are expected to be recovered or settled.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets identified with temporary differences, unused tax losses and unused tax credits are only recognised to the extent that it is considered probable that the Bank has future taxable profit against which they can be utilised.

At each reporting date, recognised deferred tax assets and liabilities are reviewed for the purpose of verifying that they remain effective and the appropriate corrections are made on the basis of the results of the analysis carried out.

This expense is recognised under Expenses or income due to income tax on continuing operations in the income statement, for the amount accrued during the year, and in the statement of financial position under Tax assets for the amount payable and the amount of withholdings and payments on account.

▪j. Indirect tax on goods delivered, services rendered and imports

In its session held on 21 June 2012 the General Council of the Principality of Andorra approved the Law governing indirect general taxation (IGI) which entered into force on 1 January 2013. This tax is levied on goods delivered, service rendered and imports made by onerous contract in Andorra by business people or professionals usually or occasionally as part of their economic activity, irrespective of the purpose or the results achieved in the economic activity or in each particular transaction, including the condition of importer.

The general tax rate is 4.5%, with a reduced rate of 1% and an increased rate of 9.5%, which is only applied to banking and financial services rendered.

The fifth additional provision to Law 11/2012 governing Indirect General Tax approved by Law 10/2014 of 3 June 2014 amending Law 11/2012, stipulates a special tax regime for the financial sector to which banks and non-banking specialised credit institutions carrying out activities subject to the increased tax rate stipulated in article 60 of the Law must adhere. This special regime entered into force on 1 July 2014. This regime restricts the deduction of input tax to a maximum amount equivalent to 10% of the output tax at a rate of 9.5% for the rendering of bank and financial services.

The settlement period depends on the annual net turnover for all of the activities carried out by the tax payer in the immediately previous year. Payments can be made half-yearly, quarterly or monthly. Tax payers have to determine the tax debt in each settlement period, reducing the general indirect tax payable during the period by the general indirect tax instalments receivable, which are deductible in nature. The entry into force of Law 11/2012 of 21 June 2012 governing Indirect General Tax and subsequent amendments repeals the Law governing indirect taxation on the rendering of banking and financial services of 14 May 2002.

▪k. Non-resident income tax

In accordance with Law 94/2010 of 29 December 2010 on non-resident income tax (hereinafter Law 94/2010) which taxes the income obtained in Andorra by individuals and entities considered by law as non-resident for tax purposes, the Andbank Group companies resident for tax purposes in Andorra are subject to withholding and has applied withholding of 10% on non-resident suppliers of services since 1 April 2011, the enactment date of this law. On 1 December 2011 the General Council of the Principality of Andorra approved Law 18/2011 of 1 December 2011 amending Law 94/2010 which will be applicable as of 1 January 2012.

The Andbank Group recognises transitory balances corresponding to personal income tax collected from non-residents under Other liabilities/Taxes/Tax collection accounts, provided that payment has not been definitively made to the corresponding authority.

▪l. Law 5/2014 of 24 April 2014 on personal income tax

On 24 April 2014 the General Council of the Principality of Andorra approved Law 5/2014 on personal income tax which entered into force on 1 January 2015. This law constitutes a basic pillar of the Principality of Andorra's economic opening process, to the extent that it involves the creation of personal income tax which is compatible with that existing in neighbouring countries, the European Union and the OECD.

This tax is levied, inter alia, on the savings of taxpayers and individuals, specifically interest and similar income (investment yield), as well as capital gains or losses at a tax rate of 10%.

The Andbank Group recognises transitory balances corresponding to personal income tax collected under Other liabilities/Taxes/Tax collection accounts in the consolidated statement of financial position, provided that payment has not been definitively made to the corresponding authority.

▪m. Tax assets and liabilities

Deferred tax assets and deferred tax liabilities include temporary differences which are defined as the amounts to be settled or recovered in future periods arising from differences between the carrying amount of an asset or liability and their corresponding tax bases (tax value), as well as unused tax losses and unused tax credits and tax rebates not applied. These amounts are recognised by applying to each temporary difference the tax rate at which they are expected to be recovered or settled.

Tax assets in the consolidated statement of financial position include the amount of all the assets of a tax nature, differentiating between: Current tax assets (amounts recoverable for taxes in the next twelve months) and Deferred tax assets (the amounts of taxes recoverable in future periods, including those deriving from unused tax losses or tax credits). Tax liabilities in the consolidated statement of financial position include the amount of all the liabilities of a tax nature, except for provisions for taxes, differentiating between: Current tax liabilities (amount to be settled in the next twelve months for income tax in respect of the taxable profit for the period and other taxes) and Deferred tax liabilities (which represent income taxes payable in future periods).

Deferred tax liabilities arising from temporary differences associated with investments in subsidiaries, associates or jointly-controlled entities are recognised, except if the Andbank Group is able to control the timing of the reversal of the temporary difference and it is not probable that the difference will reverse in the future. Deferred tax assets are only recognised provided that it is probable that the consolidated entities will have sufficient taxable income against which they can be utilised and that they do not arise from the initial recognition (in a business combination) of other assets and liabilities in a transaction that affects neither accounting profit nor taxable income.

At each reporting date, the Andbank Group reviews recognised deferred tax assets and liabilities for the purpose of verifying that they remain effective and the appropriate adjustments are made on the basis of the findings of the analyses performed. In those circumstances in which it is uncertain how a specific requirement of the tax law applies to a particular transaction or circumstance, and the acceptability of the definitive tax treatment depends on the decisions taken by the relevant taxation authorities in the future, the entity recognises and measures current and deferred tax assets and liabilities, where applicable, considering whether it is probable or not that the taxation authorities will accept a certain uncertain tax treatment, then the valuation of the corresponding tax assets or liabilities reflects the amounts that the entity intends to recover from (pay to) to the taxation authorities.

Income or expenses recognised directly in equity that do not increase or decrease taxable income are accounted for as temporary differences.

▪n. Tangible assets

Tangible assets include buildings, land, furniture, vehicles, IT equipment and other installations acquired under ownership or under finance lease. Tangible assets are disclosed in the consolidated statement of financial position as follows: Tangible assets and Investment property.

Tangible assets include those for own use and assets under operating lease. Tangible assets for own use include assets, that the Andbank Group has for present or future administrative uses or for the production or supply of goods, that are expected to be used for more than one financial year.

Tangible assets are normally recognised at acquisition cost less accumulated depreciation and any adjustment resulting from a comparison of the net value with the corresponding recoverable amount.

Depreciation is calculated on a straight-line basis on the acquisition cost of the assets less their residual value. As an exception, land is not depreciated because it is estimated that it has an indefinite useful life.

Depreciation of tangible assets is charged to Amortisation and depreciation in the consolidated income statement, and is basically calculated using the following rates based on the estimated useful life of each asset type:

Depreciation of tangible assets	Estimated years of useful life
Buildings	
Buildings for own use	33
Installations and machinery	10
Furniture and fixtures	5-8
Electronic equipment	5-8
Other	5

At each reporting date, the Andbank Group analyses whether there are indications that the net value of tangible assets exceeds their corresponding recoverable amount, understood as the higher amount between the fair value less costs to sell and value in use.

The Andbank Group's tangible assets for own use mainly comprise those allocated to the Bank Business cash generating unit (CGU). This CGU is tested for impairment to verify that sufficient cash flows are generated to support the value of the assets included therein. If it is determined that it is necessary to recognise an impairment loss, it is recognised under Impairment losses on other assets (net) - Other assets in the consolidated income statement, reducing the carrying amount of the assets to their recoverable amount. After recognition of the impairment loss, future depreciation charges are adjusted in proportion to the adjusted carrying amount and the remaining useful life.

Similarly, when it can be observed that the value of the assets has been recovered, the Andbank Group 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 increase its carrying amount above the carrying amount it would have if no impairment losses had been recognised in previous years.

Once a year, or when circumstances make it advisable, the estimated useful lives of tangible assets are reviewed and any necessary adjustments made to the depreciation to be charged to the consolidated income statement in future financial years.

Upkeep and maintenance expenses are charged to Administrative expenses - Other general administrative expenses in the consolidated income statement. Likewise, operating income on investment property is recognised under Other operating income in the consolidated income statement, whilst associated operating expenses are recognised under Other operating expenses.

After initial recognition of the asset, only those costs incurred which will generate future economic benefits, which can be qualified as probable, and for which the amount of the aforementioned costs can be reliably measured are capitalised. In this regard, costs of day-to-day servicing are recognised in profit or loss as incurred.

Replacements of tangible assets that qualify for capitalisation are recognised as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been depreciated independently and it is not possible to determine the respective carrying amount, the replacement cost is used as indicative of the cost of items at the time of acquisition or construction.

Increases in the carrying amount of each tangible asset item, as a result of the revaluation, are accounted for in other comprehensive income. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset. The revaluation decreases of each tangible asset item are recognised in other comprehensive income up to the amount of any revaluation previously recognised for each asset. Any excess is recognised in profit or loss.

Revaluations accounted for in other comprehensive income are transferred to reserves upon sale or disposal of each asset.

Disposals

The Andbank Group recognises the disposal of tangible assets when they are disposed of or when it is expected that no future economic benefits will be received for their use or disposal. The disposal date is the date on which the purchaser acquires control of the assets as indicated in the accounting policy on Revenues from customer contracts. The amount of the consideration for the disposal of tangible assets and the recognition of subsequent changes thereto, is determined by applying the criteria indicated in the accounting policy on Revenues from customer contracts.

The Andbank Group recognises the disposal of the real estate investment when it is disposed of or when it is expected that no future economic benefits will be received for its disposal. The disposal date is the date on which the purchaser acquires control of the investment as indicated in the accounting policy on Revenues from customer contracts. The amount of the consideration for the disposal of the real estate investment and the recognition of subsequent changes, is determined by applying the criteria indicated in the accounting policy on Revenues from customer contracts.

▪o. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which are acquired from third parties or which are developed internally.

Goodwill

Goodwill represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not able to be individually identified and separately recognised. Goodwill is only recognised when the business combinations are made onerously.

In business combinations goodwill arises as the positive difference between:

- The consideration given

- plus, where applicable, the fair value of the interest held in the assets and liabilities of the acquiree and the amount of the non-controlling interests.
- The fair value net of identified assets acquired less liabilities assumed.

Goodwill is recognised under Intangible assets - Goodwill and is measured at present value based on the closing exchange rate.

Under no circumstances is goodwill amortised.

At each reporting date or when there are indications of impairment, an estimate is made of whether impairment has arisen which reduces the recoverable amount to under the net cost recognised and, if this is the case, they are written off with a balancing entry under Impairment losses on other assets (net) - Goodwill and other intangible assets on the consolidated income statement. Impairment losses are not subject to subsequent reversal.

Other intangible assets

This item includes identifiable intangible assets, including intangible assets arising from business combinations and IT software.

Other intangible assets can be of indefinite useful life when, based on the assessments made of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which it is expected that net cash inflows will be generated for the Andbank Group. In the remaining cases, intangible assets are of finite useful life.

Intangible assets with indefinite useful lives are not amortised. However, at each reporting date or when there are indications of impairment the Andbank Group reviews the remaining useful lives in order to ensure that they are still indefinite or, on the contrary, it proceeds accordingly.

Intangible assets with finite useful lives are amortised on the basis of their useful life, applying criteria similar to those adopted for the depreciation of tangible assets.

Amortisation of intangible assets is recognised with a balancing entry in Amortisation and depreciation on the income statement. The useful life of intangible asset items ranges between five and nineteen years:

The amortisation expense is recognised under Amortisation and depreciation in the consolidated income statement.

Losses arising on the recognised value of these assets, whether of indefinite or finite useful life, are recognised with a balancing entry in Impairment losses on other assets (net) - Goodwill and other intangible assets in the consolidated income statement. The criteria to recognise impairment of these assets and, where applicable, recovery of impairment losses recognised in prior years are similar to those applied for tangible assets.

Disposals

The Andbank Group recognises the disposal of intangible assets when they are disposed of or when it is expected that no future economic benefits will be received for their use or disposal. The disposal date is the date on which the purchaser acquires control of the assets as indicated in the accounting policy. The amount of the consideration for the disposal of intangible assets and the recognition of subsequent changes, is determined by applying the criteria indicated in the accounting policy on Revenues from customer contracts.

▪p. Non-current assets held for sale and liabilities associated with non-current assets held for sale

The assets recognised in this line item of the consolidated statement of financial position include the carrying amount of individual items or those integrated in a disposal group or which form part of a business unit to be disposed of (discontinued operations), with the sale of the assets being highly probable in their present condition within a period of one year from the date of the consolidated statement of financial position. The recovery of the carrying amount of these items shall foreseeably take place through the price obtained on their disposal.

Specifically, real estate assets or other non-current assets received to fully or partially cancel the payment obligations of debtors for loan operations are considered as Non-current assets held for sale, except if it is decided to continue to use these assets.

Symmetrically, Liabilities associated with non-current assets held for sale in the consolidated statement of financial position include balances payable originating from the disposal groups and discontinued operations.

Non-current assets held for sale are generally measured, initially and subsequently, at the lower of their fair value less costs to sell and carrying amount calculated at the date they were assigned to this category.

The carrying amount at the acquisition date of non-current assets held for sale arising from foreclosures or recoveries is their amortised cost, defined as the balance receivable for loans/credits upon cancellation net of estimated impairment which will be at least 5%. The fair value of non-current assets held for sale arising from foreclosures or recoveries corresponds to the market appraisal value of the asset received in its present condition less costs to sell.

Any foreclosed assets which remain in the consolidated statement of financial position for a period of time longer than initially foreseen for their sale, shall be analysed individually to recognised any impairment loss arising subsequent to their acquisition. Impairment testing shall take into consideration, in addition to the reasonable offers received in the period prior to the sale price offered, the difficulties in finding purchasers, as well as, in the case of tangible assets, any physical deterioration which could have impaired their value.

At 31 December 2020 the fair value of these assets has been determined using appraisals.

Available-for-sale non-current assets are not depreciated whilst they remain in these categories.

Impairment losses of an asset or disposal group, due to reductions in their carrying amount to their fair value (less costs to sell) are recognised under Gains (Losses) on non-current assets held for sale not classified as discontinued operations in the consolidated income statement. Gains on a non-current asset held for sale due to subsequent increases in fair value (less costs to sell) increase its carrying amount and are recognised in the same line item of the consolidated income statement up to an amount equal to that of the previously recognised impairment losses.

▪q. Leases

The single lessee accounting model requires that assets and liabilities for all lease contracts are recognised. The standard presents two exceptions to the recognition of lease assets and liabilities, which can be applied in the case of short-term leases and leases for which the underlying asset is of low value. The lessee must recognise a right-of-use asset which represents its right to use the leased asset that is recognised under Tangible assets - Property, plant and equipment and Tangible assets - Investment property on the statement of financial position (see note 13) and a lease liability that represents its obligation to make lease payments which are recognised under Financial liabilities measured at amortised cost - Other financial liabilities on the statement of financial position (see note 18).

At the lease commencement date the lease liability represents the present value of all the outstanding lease payments Liabilities recognised in this line item of the statement of financial position are measured, after their initial recognition, at amortised cost, in accordance with the effective interest rate method. The discount rate applied to future payments is 0.76%. Right-of-use assets are initially recognised at cost. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred; and an estimate of costs to be incurred by the lessee such as costs relating to the dismantling and removing of the underlying asset. The assets recognised in this line item of the statement of financial position are measured, after their initial recognition, at cost, less:

- Any accumulated depreciation and any accumulated impairment losses; and
- Any corresponding remeasurement of the lease liability.

Interest expense on the lease liability is recognised in the income statement under Interest expense (see note 28). Variable lease payments not included in the initial measurement of the lease liability are recognised under Administrative expenses - Other administrative expenses (see note 31).

Depreciation is calculated on a straight-line basis on the acquisition cost of the assets over the lease term. Depreciation charges on tangible assets are recognised under Depreciation on the consolidated income statement.

In the event of opting for one of the two exceptions for not recognising the corresponding right-of-use and liability in the statement of financial position, lease payments are recognised in the income statement over the lease term or on a straight-line basis or another basis that best represents the structure of the lease transaction under Other operating expenses.

Income from subleasing and operating leases is recognised in the income statement under Other operating income.

The lessor accounting model requires that, from the commencement date, leases are classified as finance leases when they transfer substantially all the risks and rewards incidental to ownership of the underlying asset. Leases that are not finance leases are considered operating leases.

For finance leases, when the Andbank Group acts as the lessor of an asset, the sum of the present values of the amounts receivable by a lessor plus the guaranteed residual value, which normally is equivalent to the price of exercising the purchase option by the lessee at the end of the lease, is recognised as financing to third parties, and included under Financial assets at amortised cost on the statement of financial position.

For operating leases, if the Andbank Group acts as the lessor, the cost of acquisition of the leased assets is recognised under Tangible assets - Property, plant and equipment - Leased out under operating lease on the statement of financial position. These assets are depreciated in accordance with the policies adopted for similar tangible assets of own use and income and expense arising from leases are recognised in the income statement on a straight-line basis under Other operating income and Other operating expenses, respectively.

In the event of sale and leaseback transactions at fair value, any gains or losses generated on the sale, for the portion effectively transferred, are recognised in the income statement.

▪r. Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised.

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

s. Provisions and contingent liabilities

Provisions are recognised when the Andbank Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

The financial effect of provisions is recognised as a finance cost in profit or loss.

The tax effect and gains on the expected disposal of assets are not taken into account in measuring a provision.

Rights to reimbursement from third parties of the expenditure required to settle a provision are recognised as a separate asset provided that it is virtually certain that the reimbursement will be received. Any income deriving from the reimbursement is recognised in profit or loss as a reduction in the provision expense up to the amount of the provision.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed. The provision is reversed against the income statement caption in which the related expense was recognised, and any surplus is accounted for in other income.

The Andbank Group's consolidated statement of financial position includes all the significant provisions with respect to circumstances in which it is considered that it is more likely than not that the obligation will have to be settled. Provisions are recognised in the consolidated statement of financial position according to the obligations covered, including provisions for pensions and similar obligations, provisions for taxes and for contingent exposures and commitments.

Provisions, which are quantified based on the best information available regarding the success of their purpose and are re-estimated at each reporting date, are used to cover specific obligations for which they were originally recognised. Provisions are fully or partially reversed when the obligations cease to exist or decrease.

Provisions are recognised as liabilities under Provisions in the consolidated statement of financial position based on the covered obligations. Contingent liabilities are recognised as a memorandum item in the consolidated statement of financial position.

A contingent liability is recognised when a present obligation exists but it is not probable that an outflow of resources embodying economic benefits will exist. Contingent liabilities can perform differently than initially expected and are therefore subject to continuous review for the purpose of determining whether the outflow of resources becomes probable. If it is confirmed that the outflow of resources is more likely than not to occur, the corresponding provision is recognised in the consolidated statement of financial position.

Details of the contingent liabilities identified are as follows:

In Andorra two customers filed a claim against the Andbank Group in relation to the early cancellation of multicurrency facilities which, as a result of being cancelled, generated a receivable for the Andbank Group amounting to Euros 3 million. As part of their claim the customers have appealed against the early cancellation of the facility and claim additional amounts for other items. In turn, the Andbank Group lodged a counterclaim against these customers. Due to the crossed nature of the claims, the Bank considers it unlikely that an adverse economic scenario will arise.

In Spain a mercantile company filed a claim against the Andbank Group based on its interpretation of the clauses of a collaboration agreement between the two entities dated 18 March 2010, and requested an indemnity of Euros 9.4 million. This lawsuit is currently awaiting a ruling in the first instance. The Bank considers it unlikely that an adverse economic scenario will arise. Other minor lawsuits are underway, with overall claims amounting to Euros 2.1 million, for which the Bank considers it unlikely that an adverse economic scenario will arise.

t. Insurance transactions

The Andbank Group applies the requirements set out in IFRS 4 - Insurance contracts to all assets and liabilities in its consolidated financial statements which derive from insurance contracts, in accordance with the definition included in the aforementioned standard.

The Andbank Group does not separate any deposit component associated with insurance contracts. This separation is voluntary. Likewise, it is estimated that the fair value of the surrender options issued in favour of the insurance contract policyholders have a value of nil or, on the contrary, their valuation forms part of the value of liabilities under insurance contracts.

In accordance with IFRS, insurance entities have to carry out an adequacy test, in relation to the contractual commitments assumed, on the liabilities under insurance contracts recognised in their consolidated statement of financial position.

For this purpose, the following is determined:

(i) The difference between the carrying amount of its insurance contracts, less deferred acquisition costs or any intangible assets related to the insurance contracts subject to evaluation and the present value of cash flows deriving from insurance contracts and related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees.

(ii) The difference between the carrying amount and present value of projected cash flows from financial assets under insurance contracts.

For the purpose of determining the present value of cash flows from insurance contracts the same interest rate is used as that used to estimate the present value of financial assets under insurance contracts.

When the difference in point i) is higher than the difference in point ii) this reflects that the provisions for insurance contracts recognised in the consolidated statement of financial position are insufficient and this amount is recognised in the consolidated income statement for the period.

Details of the main components included as technical provisions are as follows:

- Provision for unearned premiums and unexpired risks

  The provision for unearned premiums corresponds to the portion of premiums accrued during the year which have been charged to the period between the reporting date and the end of the policy coverage period.

  The purpose of the provision for unexpired risks is to complement the provision for unearned premiums insofar that its amount is insufficient to cover the valuation of all the risks and expenses for the coverage period not elapsed at the reporting date.

- Provision for life insurance

  This provision mainly comprises mathematical provisions for insurance contracts, as well as unearned premiums of insurance contracts with a coverage period equal to or less than a year. Mathematical provisions represent the surplus actuarial present value of the future obligations of subsidiary insurance companies on that of the premiums which have to be paid by the policyholder.

- Provision for life insurance policies where the investment risk is borne by the policyholders.

  This type of provision comprises technical provisions of insurance contracts in which the policyholder bears the risk of the investment.

- Claims provision

  This includes the total outstanding obligations deriving from claims incurred prior to the reporting date. The Andbank Group calculates this provision as the difference between the estimated or certain total cost of claims to be reported, settled or paid, including external and internal expenses of managing and processing claims and the total amounts already paid for these claims.

- Provisions for bonuses and rebates

  These include the bonuses accrued in favour of insured parties or beneficiaries still not assigned at reporting date. They do not include the effect of assigning the portion of underlying gains from the investment portfolio to the policyholders.

Technical provisions for accepted reinsurance are determined using the same criteria as that used for direct insurance.

Technical provisions for direct insurance and accepted reinsurance are shown as Liabilities under insurance contracts in the consolidated statement of financial position.

Technical provisions linked to risks ceded to reinsurance entities are calculated based on the reinsurance contracts underwritten following similar criteria to those established for direct insurance. The amount is shown as Assets under reinsurance in the consolidated statement of financial position.

The Andbank Group applies the accounting option set out in IFRS 4 known as shadow accounting. In accordance with this accounting option, the standard permits, but does not require that an insurer change its accounting policies so that a recognised but unrealised gain or loss on an asset affects those measurements in the same way that a realised gain or loss does. The related adjustment to the insurance liability (or deferred acquisition costs or intangible assets) is recognised in other comprehensive income if, and only if, the unrealised gains or losses are recognised in other recognised income and expenses.

▪u. Own Shares

The value of net equity instruments issued by entities under the power of group entities - basically the Bank's shares and derivatives on shares held by certain consolidated companies which meet the requirements to be recognised as equity instruments are recognised, less consolidated equity, under Capital and reserves - Own shares in the consolidated statements of financial position.

These financial assets are recognised at cost of acquisition and profit and loss generated on their disposal is credited or charged, where applicable to Capital and reserves - Retained earnings in the consolidated statement of financial position.

▪v. Statement of changes in equity

Statements of comprehensive income

This statement presents the income and expenses recognised as a result of Group business activity during the year, and a distinction is made between the income and expenses recognised in the consolidated income statement and the other income and expenses recognised directly in consolidated equity.

Accordingly, the statement presents:

- Consolidated profit for the year

- Movement in Accumulated other comprehensive income under consolidated equity that includes:

    - The gross amount of recognised income and expenses, distinguishing between income and expenses that can and cannot be reclassified to profit or loss.

- Income tax accrued on recognised income and expenses, except for income and expenses originating in investments in associates or joint ventures accounted for using the equity method, which are presented net.
- Total consolidated recognised income and expenses, calculated as the sum of the two items above, showing separately the amount attributable to the Parent and that corresponding to minority interests (non-controlling interests).

Statement of changes in equity

This statement presents all the movements in the Andbank Group's equity, including those originating from changes in accounting criteria and correction of errors. The statement shows a reconciliation of the carrying amount at the beginning and end of the year of all the items forming part of consolidated equity, and movements are grouped together, on the basis of their nature, into the following items:

- Adjustments due to changes in accounting criteria and correction of errors: changes in consolidated equity arising as a result of the retrospective restatement of the balances in the financial statements, distinguishing those that originate in changes in accounting policies from those corresponding to the correction of errors.
- Total recognised income and expenses: the aggregate total of the aforementioned items recognised in the statement of recognised income and expense.
- Other changes in consolidated equity: the remaining items recognised in consolidated equity, including increases and decreases in capital, distribution of dividends, transactions involving own equity instruments, own equity-based payments, transfers between equity items and any other increases or decreases in consolidated equity.

▪w.Statement of cash flows

The indirect method has been used when preparing the consolidated statements of cash flows, so that based on the Andbank Group's results, non-monetary transactions are taken into consideration, as well as all kinds of deferred payment and accrual items that have been or will lead to amounts collected and paid; together with income and expenses associated with cash flows from activities classified as investing or financing activities.

The following terms are used in the consolidated statement of cash flows, as defined below:

- Cash flows: Inflows and outflows of cash or cash equivalents, which are short-term, highly liquid investments subject to a low risk of changes in value. For this purpose, in addition to cash in hand, deposits in central banks and demand deposits in credit institutions are also classified as cash or cash equivalents.
- Operating activities: the Andbank Group's usual activities and other activities that cannot be classified as investing or financing activities.
- Investing activities: the acquisition, sale or other disposal by other means of non-current assets and other investments not included in cash or cash equivalents in operating activities.
- Financing activities: activities that result in changes in the size and composition of the consolidated equity and liabilities not forming part of operating activities.

No situations have arisen during the year entailing the need to apply significant judgements to classify cash flows.

No significant transactions have been performed that have generated cash flows that have not been reflected in the consolidated statement of cash flows.

4. Distribution of Profit

The directors of Andorra Banc Agrícol Reig, SA will propose to the shareholders at their annual general meeting that the profit for 2020 be distributed as follows:

	Thousands of euros
	2020
Legal reserve	-
Voluntary reserves	11,070
Interim dividend	-
Dividends	4,000
	15,070

Distribution of profit for the year ended 31 December 2019, approved by the shareholders at their general meeting on 29 April 2020, was as follows:

	Thousands of euros
	2019
Legal reserve	-
Voluntary reserves	30,726
Interim dividend	-
Dividends	-
	30,726

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

Details of cash, cash balances at central banks and other demand deposits at 31 December 2019 and 2020 are as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Cash	16,682	19,209
Cash balances at central banks	989,194	721,153
Other demand deposits	296,257	318,523
	1,302,133	**1,058,885**

6. Financial assets and liabilities held for trading

Details of these line items of the consolidated statement of financial position at 31 December 2020 and 2019 are as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Financial assets held for trading		
Derivatives	108,897	76,796
Equity instruments	2,034	7,351
Debt securities	79,027	90,051
Loans and advances	-	-
	189,958	**174,198**

		Thousands of euros
	31/12/2020	**31/12/2019**
Financial liabilities held for trading		
Derivatives	74,299	53,663
Deposits	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
	74,299	**53,663**

Note 38 (Risk management) includes certain information relating to credit, liquidity and market risks assumed by the Andbank Group in relation to the financial assets and financial liabilities included in this category, as well as information on the concentration of risks.

In addition, note 39 (Fair value of financial instruments) includes information in relation to the financial instruments for which their carrying amount coincides with their fair value and provides a description of the valuation techniques and input data used to measure fair value.

▪a. Financial assets held for trading

A breakdown of the balance, by type of instrument and issuer, of this line item of the accompanying consolidated financial statements, is as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
	Carrying amount	**Carrying amount**
Derivatives	108,897	76,796
Equity instruments	2,034	7,351
Of which: at cost	-	-
Of which: credit institutions	-	-
Of which: other financial corporations	-	-
Of which: non-financial corporations	2,034	7,351
Debt securities	79,027	90,051
Central banks	-	-
General governments	5,043	380
Credit institutions	1,389	23,606
Other financial corporations	21,660	6,301
Non-financial corporations	50,935	59,764
	189,958	**174,198**

A breakdown of the balance, by financial assets held for trading secured by guarantee, of this line item of the accompanying consolidated annual accounts, is as follows:

				Thousands of euros
	31/12/2020		**31/12/2019**	
	Financial assets pledged as collateral for liabilities	Financial assets not pledged as collateral for liabilities	Financial assets pledged as collateral for liabilities	Financial assets not pledged as collateral for liabilities
Financial assets held for trading				
Derivatives	-	108,897	-	76,796
Equity instruments	-	2,034	-	7,351
Debt securities	-	79,027	7,970	82,081
Loans and advances	-	-	-	-
	-	**189,958**	**7,970**	**166,228**

▪b. Reclassification of financial assets between categories

There have been no significant reclassifications between financial assets which could have an impact on the income statement or statement of comprehensive income.

c. Derivatives

The Andbank Group's derivative portfolio arises from the need to hedge the risks it incurs during the normal course of business, as well as the commercialisation of products to customers.

A breakdown, by type of risk and type of product or market, of the fair value as well as the related notional values, of financial trading derivatives, recognised in the accompanying statement of financial position, differentiating between contracts in organised and non-organised markets at 31 December 2020 and 31 December 2019, is as follows:

Thousands of euros

At 31 December 2020	Financial assets held for trading	Financial liabilities held for trading	Notional amount
Interest rate	39,719	6,096	559,127
Of which: economic hedges	39,719	6,096	559,127
OTC options	-	-	-
OTC other	39,719	6,096	559,127
Organised market options	-	-	-
Organised market other	-	-	-
Equity risk	36,796	35,699	142,212
Of which: economic hedges	36,796	35,699	142,212
OTC options	-	-	-
OTC other	36,796	35,699	142,212
Organised market options	-	-	-
Organised market other	-	-	-
Foreign exchange and gold	14,721	14,629	819,023
Of which: economic hedges	14,721	14,629	819,023
OTC options	-	-	-
OTC other	14,721	14,629	819,023
Organised market options	-	-	-
Organised market other	-	-	-
Credit	17,324	17,874	1,034,563
Of which: economic hedges	17,324	17,874	1,034,563
Credit default swap	17,324	17,874	1,034,563
Credit spread options	-	-	-
Total return swaps	-	-	-
Other	-	-	-
Commodity	-	-	-
Of which: Economic hedges	-	-	-
Other	337	1	11,356
Of which: Economic hedges	337	1	11,356
Derivatives	**108,897**	**74,299**	**2,566,281**
Of which: OTC - Credit institutions	64,809	56,398	1,785,548
Of which: OTC - Other financial corporations	44,088	17,901	780,733
Of which: OTC - Other	-	-	-
	108,897	**74,299**	**2,566,281**

At 31 December 2019	Financial assets held for trading	Financial liabilities held for trading	Notional amount
			Thousands of euros
Interest rate	**34,825**	**11,104**	**573,326**
Of which: economic hedges	34,825	11,104	573,326
OTC options	-	-	-
OTC other	34,825	11,104	573,326
Organised market options	-	-	-
Organised market other	-	-	-
Equity risk	**21,310**	**21,109**	**284,056**
Of which: economic hedges	21,310	21,109	284,056
OTC options	-	-	-
OTC other	21,310	21,109	284,056
Organised market options	-	-	-
Organised market other	-	-	-
Foreign exchange and gold	**2,652**	**3,080**	**410,744**
Of which: economic hedges	2,652	3,080	410,744
OTC options	-	-	
OTC other	2,652	3,080	410,744
Organised market options	-	-	-
Organised market other	-	-	-
Credit	**17,825**	**18,370**	**1,069,882**
Of which: economic hedges	17,825	18,370	1,069,882
Credit default swap	17,825	18,370	1,069,882
Credit spread options	-	-	-
Total return swaps	-	-	-
Other	-	-	-
Commodity	**-**	**-**	**-**
Of which: Economic hedges	-	-	-
Other	**184**	**-**	**5,374**
Of which: Economic hedges	184	-	5,374
Derivatives	**76,796**	**53,663**	**2,343,382**
Of which: OTC - Credit institutions	43,003	34,758	1,629,454
Of which: OTC - Other financial corporations	33,793	18,905	713,928
Of which: OTC - Other	-	-	-
	76,796	**53,663**	**2,343,382**

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

Details of these line items of the statement of financial position at 31 December 2020 and 2019 are as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Equity instruments	8,990	10,073
Debt securities	-	-
Loans and advances	-	-
	8,990	**10,073**

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

Details of these line items of the statement of financial position at 31 December 2020 and 2019 are as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Equity instruments	-	-
Debt securities	13,619	-
Loans and advances	-	-
	13,619	**-**

9. Financial assets designated at fair value through comprehensive income

Details of this line item of the accompanying statements of financial position at 31 December 2020 and 2019 are as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Equity instruments	13,880	23,560
Debt securities	304,396	490,758
Loans and advances	-	-
	318,276	**514,318**

Details of valuation adjustments to the financial assets designated at fair value through other comprehensive income portfolio are shown in note 21 (Accumulated other comprehensive income).

Note 38 (Risk management) includes certain information relating to credit, liquidity and market risks assumed by the Andbank Group in relation to the financial assets and financial liabilities included in this category, as well as information on the concentration of risks.

In addition, note 39 (Fair value of financial instruments) includes information in relation to the financial instruments for which their carrying amount coincides with their fair value and provides a description of the valuation techniques and input data used to measure fair value.

Details of financial assets designated at fair value through other comprehensive income, by type of issuer, at 31 December 2020 and 31 December 2019 are as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Equity instruments		
Others (CIU, securitisation)	-	-
Companies	13,880	23,560
Banking and financial entities	-	-
	13,880	**23,560**

Debt securities		
Central banks	-	-
General governments	128,926	246,683
Credit institutions	127,463	146,175
Other financial corporations	-	53,202
Non-financial corporations	48,007	44,698
	304,396	**490,758**

10. Financial assets at amortised cost

Details of this line item of the accompanying statement of financial position, taking into consideration the balancing entry for the financial instrument from which they originate, at 31 December 2020 and 2019 are as follows:

		Gross carrying amount	
31 December 2020	Net carrying amount	Assets without significant increase in credit risk since initial recognition (Stage 1)	Assets with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)
Debt securities	**514,095**	**514,095**	**-**
Central banks	-	-	-
General governments	64,748	64,748	-
Credit institutions	283,356	283,356	-
Other financial corporations	86,263	86,263	-
Non-financial corporations	79,728	79,728	-
Deposits in credit institutions	**422,157**	**422,157**	**-**
Credit institutions	422,157	422,157	-
Loans and advances	**1,898,518**	**1,730,488**	**151,624**
Central banks	-	-	-
General governments	30,464	30,617	-
Credit institutions	28	28	-
Other financial corporations	33,639	33,490	-
Non-financial corporations	746,781	618,527	113,713
Households	1,087,606	1,047,826	37,911
Financial assets at amortised cost	**2,834,770**	**2,666,740**	**151,624**

Thousands of euros

	Accumulated impairment		
Credit-impaired assets (Stage 3)	Assets without significant increase in credit risk since initial recognition (Stage 1)	Assets with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	Credit-impaired assets (Stage 3)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
60,235	(1,538)	(26,657)	(15,634)
-	-	-	-
-	(153)	-	-
-	-	-	-
184	(9)	-	(26)
41,371	(588)	(19,523)	(6,719)
18,680	(788)	(7,134)	(8,889)
60,235	**(1,538)**	**(26,657)**	**(15,634)**

31 December 2019	Net carrying amount	Gross carrying amount	
		Assets without significant increase in credit risk since initial recognition (Stage 1)	Assets with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)
Debt securities	**195,424**	**195,424**	**-**
Central banks	-	-	-
General governments	45,656	45,656	-
Credit institutions	59,483	59,483	-
Other financial corporations	38,886	38,886	-
Non-financial corporations	51,399	51,399	-
Deposits in credit institutions	**379,217**	**379,217**	**-**
Credit institutions	379,217	379,217	-
Loans and advances	**1,610,913**	**1,412,152**	**200,293**
Central banks	-	-	-
General governments	45,061	45,287	-
Credit institutions	73	73	-
Other financial corporations	57,896	57,644	160
Non-financial corporations	671,296	512,610	159,528
Households	836,587	796,538	40,605
Financial assets at amortised cost	**2,185,554**	**1,986,793**	**200,293**

At 31 December 2020 assets classified as doubtful amount to Euros 60,235 thousand (Euros 47,269 thousand at 31 December 2019).

Note 38 (Risk management) includes certain information relating to interest rate, liquidity and market risks assumed by the Andbank Group in relation to the financial assets and financial liabilities included in this category, as well as information on the concentration of risks and credit quality.

Thousands of euros

	Accumulated impairment		
Credit-impaired assets (Stage 3)	Assets without significant increase in credit risk since initial recognition (Stage 1)	Assets with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	Credit-impaired assets (Stage 3)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
47,269	(1,566)	(31,894)	(15,341)
-	-	-	-
-	(226)	-	-
-	-	-	-
184	(12)	(1)	(79)
29,013	(534)	(23,593)	(5,728)
18,072	(794)	(8,300)	(9,534)
47,269	**(1,566)**	**(31,894)**	**(15,341)**

a. Details of loans and receivables by sector of activity and type of product

Details of the subheadings comprising loans and receivables, by sector of activity and type of product, at 31 December 2020 and 2019 are as follows:

31 December 2020	Totals	Central banks
On demand and short notice (current account)	8,539	-
Credit card debt	4,806	-
Trade receivables	1,543	
Finance leases	-	-
Reverse repurchase loans	-	-
Other term loans	1,883,630	-
Advances that are not loans	-	-
Loans and advances	**1,898,518**	**-**

31 December 2019	Totals	Central banks
On demand and short notice (current account)	13,012	-
Credit card debt	5,607	-
Trade receivables	2,492	-
Finance leases	-	-
Reverse repurchase loans	-	-
Other term loans	1,589,802	-
Advances that are not loans	-	-
Loans and advances	**1,610,913**	**-**

An essential instrument used for managing credit risk is that of ensuring that financial assets acquired or contracted by the Andbank Group include collateral securities and other loan enhancements in addition to the debtor's personal guarantee.

The Andbank Group's policies for analysing and selecting risk define, based on the different characteristics of the operations, such as the purpose of risk, counterparty, maturity period, use of own funds etc., the collateral securities or loan enhancements required in addition to the debtor's personal guarantee for such arrangements to be contracted (see note 38(c) Credit risk management).

Collateral securities are measured based on the nature of the collateral received. Generally, collateral securities in the form of real estate are measured at their appraisal value, calculated by independent entities.

With a frequency of at least one year the Bank must verify the existence of indications of significant decreases in its benchmark valuations for operations classified as standard exposure with real estate guarantees. Only in the case that evidence of losses in value of this collateral exists or in those cases in which impairment in the debtor's solvency arises which could imply that these guarantees could have been used, this valuation is updated based on the same criteria: collateral securities in the form of

Thousands of euros

	Net carrying amount				
	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households
	37	-	183	2,316	6,003
	-	6	34	540	4,226
	-	12	-	1,495	36
	-	-	-	-	-
	-	-	-	-	-
	30,427	10	33,422	742,430	1,077,341
	-	-	-	-	-
	30,464	**28**	**33,639**	**746,781**	**1,087,606**

Thousands of euros

	Net carrying amount				
	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households
	127	-	313	6,401	6,171
	-	54	71	832	4,650
	-	9	3	2,426	54
	-	-	-	-	-
	-	-	-	-	-
	44,934	10	57,509	661,638	825,711
	-	-	-	-	-
	45,061	**73**	**57,896**	**671,297**	**836,586**

securities quoted in active markets are measured at quoted value, adjusted by a percentage to cover any possible variations in this market value which could jeopardise the coverage of the risk; guarantees and similar collateral used to cover credit risk are measured, for the purpose of determining the coverage, at nominal amount which is equivalent to the covered risk; guarantees in the form of pledged deposits are measured at the value of these deposits and in the event they are denominated in foreign currency they are converted at the exchange rate at each valuation date.

▪b. Details of loans and advances and deposits in credit institutions based on collateral securities and personal securities

Details of loans and advances and deposits in credit institutions based on principal collateral securities and disclosure of the percentage of coverage on the operations, at 31 December 2019 and 2019, are as follows:

Thousands of euros

		% coverage				
31 December 2020	Gross carrying amount	≤ 40% or without guarantee	> 40% and ≤ 60%	> 60% and ≤ 80%	> 80% and ≤ 100%	> 100%
Deposits in credit institutions	422,157	13,785	-	-	408,372	-
Credit institutions	422,157	13,785	-	-	408,372	-
Loans and advances	1,942,347	135,704	4,544	11,950	76,153	1,713,996
Operations collateralised by immovable property	1,041,342	-	3,272	7,202	45,621	985,247
Operations collateralised by debt securities/ instruments	628,489	112	127	4,335	20,282	603,633
Operations collateralised by monetary assets	137,433	509	1,145	413	10,250	125,116
Operations with no guarantee and/or personal collateral	135,083	135,083	-	-	-	-
Financial assets at amortised cost	**2,364,504**	**149,489**	**4,544**	**11,950**	**484,525**	**1,713,996**

Thousands of euros

		% coverage				
31 December 2019	Gross carrying amount	≤ 40% or without guarantee	> 40% and ≤ 60%	> 60% and ≤ 80%	> 80% and ≤ 100%	> 100%
Deposits in credit institutions	379,217	46,635	-	-	332,582	-
Credit institutions	379,217	46,635	-	-	332,582	-
Loans and advances	1,659,714	213,832	5,493	14,692	63,733	1,361,964
Operations collateralised by immovable property	759,955	277	4,051	11,074	23,525	721,028
Operations collateralised by debt securities/ instruments	636,978	31,018	364	3,161	29,974	572,461
Operations collateralised by monetary assets	83,493	3,249	1,078	457	10,234	68,475
Operations with no guarantee and/or personal collateral	179,288	179,288	-	-	-	-
Financial assets at amortised cost	**2,038,931**	**260,467**	**5,493**	**14,692**	**396,315**	**1,361,964**

At 31 December 2020, 93% of loans and advances and deposits in credit institutions have coverage of more than 80%, whilst at 31 December 2019, 85% of loans and advances have coverage of more than 86%.

At 31 December 2019, as part of the plan for aid and measures to mitigate the effects of COVID-19, the Andorran Government guarantees loans for a value of Euros 14.8 million, of which Euros 11.7 million have been drawn down (included in the Euros 91.2 million of transactions with third party guarantees). In addition, as part of the same plan, there are loans with legal or sector moratoria with outstanding capital of Euros 9 million.

11. Derivatives - Hedge accounting and Fair value changes

The balances of these line items of the accompanying statements of financial position are as follows:

		Thousands of euros
Derivatives - Hedge accounting and changes in fair value	**31/12/2020**	**31/12/2019**
Assets	**10,065**	**5,431**
Derivatives - Hedge accounting	4,089	822
Changes in the fair value of hedged items in portfolio hedges of interest risk	5,976	4,609
Liabilities	**6,268**	**5,224**
Derivatives - Hedge accounting	6,268	5,224
Changes in the fair value of hedged items in portfolio hedges of interest risk	-	-

At 31 December 2020 and 2019 the Andbank Group's main hedged positions and the derivatives designated to hedge those positions correspond to hedges of fixed interest rate loans, using interest rate derivatives and cash flow hedges of future commitments.

Note 38 (Risk management) includes certain information relating to interest rate, liquidity and market risks assumed by the Andbank Group in relation to the financial assets and financial liabilities included in this category, as well as information on the concentration of risks.

In addition, note 39 (Fair value of financial instruments) includes information in relation to the financial instruments for which their carrying amount coincides with their fair value and provides a description of the valuation techniques and input data used to measure fair value.

Details of the carrying amount of hedging instruments, as well as the nominal amounts of hedging financial derivatives in the accompanying consolidated statement of financial position at 31 December 2020 and 2019, distinguishing between risk category for each kind of hedge, are as follows:

				Thousands of euros
	Carrying amount		Notional amount	
31 December 2020	Assets	Liabilities	Total hedges	Of which: sold
Fair value hedges	**-**	**6,268**	**183,654**	**-**
Interest rate	**-**	**6,251**	**83,654**	**-**
OTC options	-	-	-	-
OTC other	-	6,251	83,654	-
Organised market options	-	-	-	-
Organised market other	-	-	-	-
Foreign exchange and gold	**-**	**-**	**-**	**-**
OTC options	-	-	-	-
OTC other	-	-	-	-
Organised market options	-	-	-	-
Organised market other	-	-	-	-
Credit	**-**	**17**	**100,000**	**-**
Credit default swap	-	17	100,000	-
Credit spread options	-	-	-	-
Total return swaps	-	-	-	-
Other	-	-	-	-
Commodity	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
Cash flow hedges	**4,089**	**-**	**162,694**	**-**
Total derivatives - hedge accounting	**4,089**	**6,268**	**346,348**	**-**
Of which: OTC - Credit institutions	4,089	6,251	246,348	-
Of which: OTC - Other financial corporations	-	-	-	-
Of which: OTC - Other	-	17	100,000	-

	Thousands of euros			
	Carrying amount		Notional amount	
31 December 2019	Assets	Liabilities	Total hedges	Of which: sold
Fair value hedges	**-**	**3,970**	**5,653**	**-**
Interest rate	-	3,970	5,653	-
OTC options	-	-	-	-
OTC other	-	3,970	5,653	-
Organised market options	-	-	-	-
Organised market other	-	-	-	-
Foreign exchange and gold	-	-	-	-
OTC options	-	-	-	-
OTC other	-	-	-	-
Organised market options	-	-	-	-
Organised market other	-	-	-	-
Credit	-	-	-	-
Credit default swap	-	-	-	-
Credit spread options	-	-	-	-
Total return swaps	-	-	-	-
Other	-	-	-	-
Commodity	-	-	-	-
Other	-	-	-	-
Cash flow hedges	**822**	**1,254**	**200,624**	**-**
Total derivatives - hedge accounting	**822**	**5,224**	**206,277**	**-**
Of which: OTC - Credit institutions	822	5,224	206,277	-
Of which: OTC - Other financial corporations	-	-	-	-
Of which: OTC - Other	-	-	-	-

12. Investments in subsidiaries, joint ventures and associates

Details, by company, of Investments in subsidiaries, joint ventures and associates at 31 December 2020 and 2019 in the accompanying consolidated statements of financial position are as follows:

				Thousands of euros
	2020			
Company name	Investment	Impairment	Cost	Total
Medipatrimonia Invest, SL	51.00%	-	2,450	2,450
Sigma M. Partners, LTD	49.78%	-	752	752
Other companies	100.00%	-	41	41
		-	**3,243**	**3,243**

				Thousands of euros
	2019			
Company name	Investment	Impairment	Cost	Total
Medipatrimonia Invest, SL	51.00%	-	2,000	2,000
Sigma M. Partners, LTD	49.78%	-	862	862
		-	**2,862**	**2,862**

The Andbank Group fully consolidates subsidiaries, with the exception of Medipatrimonia Invest, SL and Sigma M. Partners, LTD, which are directly consolidated.

13. Tangible assets

A breakdown of items included in Tangible assets during 2020 and 2019 is as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Tangible assets		
Property, plant and equipment	118,844	137,882
For own use	118,844	137,882
Leased out under operating lease	-	-
Earmarked for social projects (savings bank and credit cooperatives)	-	-
Investment property	12,723	9,105
Of which: Leased out under finance lease	-	-
	131,567	**146,987**

The right-of-use corresponds mainly to the lease of premises where some of the Andbank Group companies' offices are located, as well as the Business Centre.

▪a. Movement in tangible assets

A breakdown of tangible assets, based on the nature of the items included therein, is as follows:

	31/12/2019	Additions	Disposals
Cost			
For operating activities			
Land	-	-	-
Buildings	11,120	22	(6,308)
Furniture	9,982	97	-
Installations	28,091	3,826	(7,577)
IT equipment	31,997	1,079	(625)
Vehicles	1,786	268	(39)
Under construction	1,948	1,136	(564)
Rights-of-use	121,007	3,274	(5,576)
Subtotal	**205,931**	**9,702**	**(20,689)**
For non-operating activities			
Land	-	-	-
Buildings	1,135	-	-
Installations	830	-	-
IT equipment	104	-	-
Furniture	36	-	-
Vehicles	458	-	-
Investment property	9,531	5,213	(1,634)
Subtotal	**12,094**	**5,213**	**(1,634)**
Accumulated depreciation			
For operating activities			
Buildings	(5,075)	(181)	1,365
Furniture	(8,319)	(160)	-
Installations	(16,978)	(1,877)	2,886
IT equipment	(25,196)	(949)	468
Vehicles	(1,322)	(217)	15
Rights-of-use	(12,119)	(12,774)	3,356
Subtotal	**(69,009)**	**(16,158)**	**8,090**
For non-operating activities			
Buildings	(303)	(47)	-
Installations	(904)	-	-
IT equipment	(103)	-	-
Furniture	(33)	-	-
Operating leases	(260)	(142)	-
Investment property	(426)	(156)	195
Subtotal	**(2,029)**	**(345)**	**195**
Net balance	**146,987**	**(1,588)**	**(14,038)**

	Transfers to/from non-current assets for sale	Other transfers	Exchange gains/losses	Other movements	31/12/2020
					Thousands of euros
	-	-	-	-	-
	-	-	-	-	4,834
	-	-	-	-	10,079
	-	-	-	-	24,340
	-	2,061	-	-	34,512
	-	-	-	-	2,015
	-	(2,061)	-	206	665
	-	-	-	-	118,705
	-	**-**	**-**	**206**	**195,150**
	-	-	-	-	-
	-	-	-	-	1,135
	-	56	-	-	886
	-	-	-	-	104
	-	-	-	-	36
	-	(56)	-	-	402
	-	-	-	-	13,110
	-	**-**	**-**	**-**	**15,673**
	-	-	-	-	(3,891)
	-	-	-	-	(8,479)
	-	-	-	-	(15,969)
	-	-	-	-	(25,677)
	-	-	-	-	(1,524)
	-	-	-	-	(21,537)
	-	**-**	**-**	**-**	**(77,077)**
	-	-	-	-	(350)
	-	-	-	-	(904)
	-	-	-	-	(103)
	-	-	-	-	(33)
	-	-	-	-	(402)
	-	-	-	-	(387)
	-	**-**	**-**	**-**	**(2,179)**
	-	**-**	**-**	**206**	**131,567**

	12/31/2018	Additions	Disposals
Cost			
For operating activities			
Land	1,246	-	(1,558)
Buildings	13,483	58	(2,109)
Furniture	9,972	41	(31)
Installations	25,256	4,596	(1,761)
IT equipment	28,887	1,180	(1,678)
Vehicles	2,001	196	(411)
Under construction	1,857	741	-
Rights-of-use	-	121,007	-
Subtotal	**82,702**	**127,819**	**(7,548)**
For non-operating activities			
Land	-	-	-
Buildings	1,601	-	(466)
Installations	830	3	(3)
IT equipment	104	-	-
Furniture	36	-	-
Vehicles	458	-	-
Investment property	6,595	881	(619)
Subtotal	**9,624**	**884**	**(1,088)**
Accumulated depreciation			
For operating activities			
Buildings	(6,168)	(172)	1,265
Furniture	(8,210)	(138)	29
Installations	(16,880)	(1,904)	1,806
IT equipment	(26,426)	(1,025)	2,255
Vehicles	(1,284)	(272)	234
Rights-of-use	-	(12,119)	-
Subtotal	**(58,968)**	**(15,630)**	**5,589**
For non-operating activities			
Buildings	(751)	(50)	498
Installations	(900)	(4)	-
IT equipment	(100)	(3)	-
Furniture	(33)	-	-
Operating leases	(260)	-	-
Investment property	(325)	(141)	40
Subtotal	**(2,369)**	**(198)**	**538**
Net balance	**30,989**	**112,875**	**(2,509)**

At 31 December 2020 these include fully depreciated tangible assets amounting to Euros 39,941 thousand.

During 2020 and 2019 no interest or exchange differences corresponding to fixed assets have been capitalised.

Thousands of euros

Transfers to/from non-current assets for sale	Other transfers	Exchange gains/losses	Other movements	31/12/2019
-	312	-	-	-
-	(312)	-	-	11,120
-	-	-	-	9,982
-	-	-	-	28,091
-	3,608	-	-	31,997
-	-	-	-	1,786
-	(650)	-	-	1,948
-	-	-	-	121,007
-	**2,958**	**-**	**-**	**205,931**
-	-	-	-	-
-	-	-	-	1,135
-	-	-	-	830
-	-	-	-	104
-	-	-	-	36
-	-	-	-	458
2,674	-	-	-	9,531
2,674	**-**	**-**	**-**	**12,094**
-	-	-	-	(5,075)
-	-	-	-	(8,319)
-	-	-	-	(16,978)
-	-	-	-	(25,196)
-	-	-	-	(1,322)
-	-	-	-	(12,119)
-	**-**	**-**	**-**	**(69,009)**
-	-	-	-	(303)
-	-	-	-	(904)
-	-	-	-	(103)
-	-	-	-	(33)
-	-	-	-	(260)
-	-	-	-	(426)
-	**-**	**-**	**-**	**(2,029)**
2,674	**2,958**	**-**	**-**	**146,987**

At 31 December 2020 all these items remain under ownership of the Bank and are used for its activity.

▪b. Revalued assets

With express authorisation granted by the AFA on 9 December 2008, the Andbank Group revalued the carrying amount of the buildings housing its headquarters and network of branches with effective date 30 November 2008. Every two years, through an appraisal conducted by an independent expert, the aforementioned assets are tested to determine whether their market value is higher than their carrying amount, the appropriate provisions being recognised where this is not the case. At 31 December 2020 it has not been necessary to revalue the carrying amount of buildings used in operations.

▪c. Investment property

Tangible assets include an amount of Euros 12,723 thousand which reflect the Andbank Group's investment property. The Andbank Group does not receive any significant revenues from rents, nor does it incur any direct expenses arising from investment property. In addition, there are no contractual purchase, construction or development obligations on the investment property held at 31 December 2020.

14. Intangible assets

▪a. Goodwill

A breakdown of the balance and movement in this item of the accompanying consolidated statements of financial position, by company, is as follows:

					Thousands of euros
	31/12/2019	Additions	Exchange gains/losses	Other adjustments	31/12/2020
Cost	159,925	8,748	(10,366)	-	158,307
Accumulated impairment	-	-	-	-	-
	159,925	**8,748**	**(10,366)**	**-**	**158,307**

					Thousands of euros
	12/31/2018	Additions	Exchange gains/losses	Other adjustments	31/12/2019
Cost	153,724	6,719	914	(1,432)	159,925
Accumulated impairment	-	-	-	-	-
	153,724	**6,719**	**914**	**(1,432)**	**159,925**

Details of goodwill, based on the cash generating unit (hereinafter CGU) to which the goodwill has been allocated, are as follows:

		Thousands of euros
	2020	**2019**
Andbank España, SA	96,318	96,318
Andbank Monaco S.A.M.	11,347	11,347
Andbank Wealth Management LLC	1,658	1,817
Banco Andbank (Brasil), S.A	25,771	25,083
Columbus de México, SA de CV	4,480	5,182
Quest Capital Advisers Agente de Valores, SA	11,604	12,912
Sigma Investment House Ltd.	7,129	7,266
Total Goodwill	**158,307**	**159,925**

During 2020 goodwill has risen due mainly to the purchase price allocation (PPA) of the customer portfolios of Triar Agentes Autônomos ("Triar"), and Capital Serviços de Agente Autônomos Ltda. ("Capital"), by Banc Andbank (Brasil, S.A.), for an amount of Euros 8,748 thousand.

▪b. Impairment testing

For the purpose of testing goodwill and intangible assets with indefinite useful lives for impairment, Group cash generating units (CGU) have been assigned based on the country of operation.

The Andbank Group has goodwill generated by cash generating units located in countries with currencies other than the Euro (mainly in Brazil, USA, Israel, Mexico and Uruguay) and consequently, exchange differences are generated on translation to Euros, at the closing exchange rate.

In accordance with IAS 36, the Andbank Group carries out yearly testing of the potential impairment of goodwill with regard to its recoverable amount. This testing requires identifying the cash generating units, which are the Andbank Group's smallest groups of identifiable assets that generate cash inflows that are largely independent of those from other assets or groups of assets. The carrying amount of each cash generating unit is determined by taking into consideration the carrying amount of all assets and liabilities, the group of independent legal entities comprising the cash generating unit, together with the corresponding goodwill.

This carrying amount to be recovered from the cash generating unit can be compared with its recoverable amount in order to determine whether it has been impaired. The Andbank Group's directors evaluate the existence of any indication that could be considered as evidence of impairment of the cash generating unit, by reviewing information, which includes future distributable dividends for the period of between five and eight years depending on the CGU, in which:

- The annual growth rate of managed assets is adjusted to the growth observed in each business unit in recent years and to the growth expectations according to the future plans, together with an improvement in market expectations.

- The annual growth rate of the gross margin arises from the average growth of assets under management for the period, as well as their return. The return is adapted to each business unit based on the growth observed in recent years, as well as market expectations, which are more conservative in the Euro zone due to the European monetary framework and the high level of competition in the sector.

- Lastly, the annual growth rate of operating expenses is in line with the growth observed in previous years and the expectations of inflation and growth in business support expenses for each unit.

Firstly, the Andbank Group determines the recoverable amount by calculating the value in use by applying the discount method on distributable dividends to obtain the value of the CGU based on the present value of the dividends that this CGU expects to generate in the future.

This approach analyses the entity from a dynamic standpoint, considering the business as an asset with the capacity to generate future dividends.

On a going concern basis, it is estimated that the income approach is the method that most efficiently includes the result of the valuation of all factors affecting the value of a business.

The main assumptions used to calculate future distributable dividends are:

i. projected results, based on the financial budgets approved by the Andbank Group directors, that cover a period of five years (unless there is justification for a longer time horizon).
ii. discount rates determined as the cost of capital taking into consideration the risk-free rate plus a risk premium in accordance with the market and business in which they operate. This capital discount rate must take into considera-tion the time value of money, as well as the market risk and other entity-specific risks, and
iii. constant growth rates to extrapolate results to perpetuity, that do not exceed the medium-long term growth rate for the market in which the CGU in question operates.

In the case of Banco Andbank (Brasil) and Andbank España, S.A. a time horizon of eight years has been determined due to the existence of normalised key drivers, as well as long-term contracts with managers on the assets under management. Taking into account recent acquisitions, these are projects that are currently in a phase of full growth, where a normalised level in a longer time horizon than the rest of the CGU is expected to be obtained.

On the other hand, the Andbank Group avails of corporate experience based on similar investment projects.

The Andbank Group considers a business plan with a time horizon of eight years, thus gaining in the best way possible value associated with efficiencies and synergies deriving from the acquisition of portfolios/customers and investments in technology.

The main assumptions taken into consideration when determining the recoverable amount at 2020 reporting date, of the most significant CGU that have been valued by Dividend discount model, are as follows:

2020		
	Ke	G
Andbank España, SA	10.30%	3.10%
Andbank Monaco S.A.M.	8.84%	3.00%
Andbank Wealth Management LLC	9.40%	3.00%
Banco Andbank (Brasil), S.A	13.90%	5.50%
Columbus de México, SA de CV	13.40%	5.10%
Quest Capital Advisers Agente de Valores, SA	14.50%	6.40%
Sigma Investment House Ltd.	10.00%	3.50%

Sensitivity analysis

The Andbank Group has performed a sensitivity analysis, consisting of adjusting the discount rate by +/- 50 basis points and the growth to perpetuity rate by +/- basis points.

The sensitivity analysis carried out concludes that all the scenarios defined therein do not entail a significant impact.

▪c. Other intangible assets

A breakdown and movement of items included in Intangible assets during 2020 and 2019 is as follows:

At 31 December 2020	31/12/2019	Additions
Cost		
IT software and applications	97,772	5,144
Multi-owned assets	834	-
Intangible assets in progress	-	-
Other	101,115	15,512
	199,721	**20,656**
Accumulated amortisation		
IT software and applications	(52,817)	(8,385)
Multi-owned assets	(694)	(11)
Intangible assets in progress	-	-
Other	(20,074)	(3,584)
	(73,585)	**(11,980)**
Accumulated impairment	**(1,842)**	**(243)**
Net balance	**124,294**	**8,433**

At 31 December 2019	31/12/2018	Additions
Cost		
IT software and applications	75,266	5,583
Multi-owned assets	834	-
Intangible assets in progress	-	-
Other	95,038	26,536
	171,138	**32,119**
Accumulated amortisation		
IT software and applications	(46,265)	(6,767)
Multi-owned assets	(683)	(11)
Intangible assets in progress	-	-
Other	(18,276)	(1,141)
	(65,224)	**(7,919)**
Accumulated impairment	**(1,672)**	**-**
Net balance	**104,242**	**24,200**

At 31 December 2020 these include fully amortised intangible assets amounting to Euros 41,670 thousand.

Disposals	Other transfers	Exchange gains/losses	Other movements	31/12/2020
				Thousands of euros
(780)	12,349	-	-	114,485
-	-	-	-	834
-	-	-	-	-
(2,336)	(12,349)	-	(205)	101,737
(3,116)	**-**	**-**	**(205)**	**217,056**
941	-	-	-	(60,261)
-	-	-	-	(705)
-	-	-	-	-
-	-	-	-	(23,658)
941	**-**	**-**	**-**	**(84,624)**
222	**-**	**-**	**-**	**(1,863)**
(1,953)	**-**	**-**	**(205)**	**130,569**

Disposals	Other transfers	Exchange gains/losses	Other movements	31/12/2019
				Thousands of euros
(234)	17,157	-	-	97,772
-	-	-	-	834
-	-	-	-	-
(344)	(20,115)	-	-	101,115
(578)	**(2,958)**	**-**	**-**	**199,721**
215	-	-	-	(52,817)
-	-	-	-	(694)
-	-	-	-	-
-	-	-	(657)	(20,074)
215	**-**	**-**	**(657)**	**(73,585)**
-	**-**	**-**	**(170)**	**(1,842)**
(363)	**(2,958)**	**-**	**(827)**	**124,294**

Others under Intangible assets include computer software under construction amounting to Euros 28,027 thousand (Euros 31,408 thousand at 31 December 2019), as part of the Bank's technological transformation project (Newton Project), which will start to be amortised when the development work has been completed and the software is in use.

At 31 December 2020 all these items remain under ownership of the Bank and are used for its activity.

15. Tax assets and liabilities

Details of tax assets and liabilities at 31 December 2020 and 31 December 2019 are as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Tax assets		
Current tax assets	7,102	5,446
Deferred tax assets	18,179	22,480
	25,281	**27,926**

Tax liabilities		
Current tax liabilities	4,088	4,056
Deferred tax liabilities	9,159	10,576
	13,247	**14,632**

16. Other assets and liabilities

A breakdown of the asset and liability items of the consolidated statement of financial position at 31 December 2020 and 31 December 2019 is as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Other assets		
Inventories	14	14
Other assets	77,197	121,722
Prepayments and accrued income	32,976	43,175
Operations in progress	10,610	33,337
Other items	33,611	45,210
	77,211	**121,736**

		Thousands of euros
	31/12/2020	**31/12/2019**
Other liabilities		
Other liabilities	84,657	78,654
Accrued expenses and deferred income	13,313	10,854
Operations in progress	13,832	2,236
Other items	57,512	65,564
	84,657	**78,654**

17. Non-current assets and disposal groups classified as held for sale

Non-current assets and disposal groups classified as held for sale in the accompanying statement of financial position mainly reflect the Andbank Group's foreclosed assets.

A breakdown and movement of this item in the accompanying statements of financial position are as follows:

Thousands of euros

At 31 December 2020	31/12/2019	Additions	Disposals	Transfers to investment property	Revaluation reserves	Other	31/12/2020
Cost							
Property, plant and equipment							
From foreclosures	49,772	817	(10,527)	-	-	-	40,062
Other	-	-	-	-	-	-	-
	49,772	**817**	**(10,527)**	**-**	**-**	**-**	**40,062**
Impairment losses							
Property, plant and equipment							
From foreclosures	(22,930)	(388)	1,708	-	-	-	(21,610)
Other	(2,168)	(3)	3,975	-	(241)	-	1,563
	(25,098)	**(391)**	**5,683**	**-**	**(241)**	**-**	**(20,047)**
Net balance	**24,674**	**426**	**(4,844)**	**-**	**(241)**	**-**	**20,015**

Thousands of euros

At 31 December 2019	31/12/2018	Additions	Disposals	Transfers to investment property	Revaluation reserves	Other	31/12/2019
Cost							
Property, plant and equipment							
From foreclosures	59,211	6,044	(16,001)	(4,762)	-	5,280	49,772
Other	-	-	-	-	-	-	-
	59,211	**6,044**	**(16,001)**	**(4,762)**	**-**	**5,280**	**49,772**
Impairment losses							
Property, plant and equipment							
From foreclosures	(24,071)	(2,390)	6,723	2,088	-	(5,280)	(22,930)
Other	(1,845)	-	-	-	(323)	-	(2,168)
	(25,916)	**(2,390)**	**6,723**	**2,088**	**(323)**	**(5,280)**	**(25,098)**
Net balance	**33,295**	**3,654**	**(9,278)**	**(2,674)**	**(323)**	**-**	**24,674**

The fair value of non-current assets and disposal groups classified as held for sale is as follows:

Thousands of euros

	31/12/2020	**31/12/2019**
Land	36,094	37,669
Premises	1,165	1,076
Car parks	1,583	1,906
Storage rooms	119	142
Housing	10,341	17,570
	49,302	**58,363**

The fair value of real estate assets classified as non-current assets held for sale are classified as Level 2 based on the fair value hierarchy.

Foreclosed assets are appraised periodically and are recognised as the lower of fair value less costs to sell and carrying amount.

From the analyses carried out it can be concluded that the market values of the assets do not significantly differ from their carrying amounts.

The following main independent sources have been used to value buildings and land:

- INTERVALOR
- PERITAND
- PERITAXA
- TECNITASA
- VICTOR NAUDI
- AS08

The appraisal companies chosen to appraise the foreclosed assets have been selected based on their benchmark appraisal methodology using the valuation standards set out in Spanish Order ECO/05/2003. The appraisal companies mainly use the comparative valuation method.

The Andbank Group has an active policy of disposing of all non-current assets and disposal groups which have been classified as held for sale, with the appraisals obtained being higher than their carrying amounts.

Foreclosures and recoveries

A classification by category and by average permanence in the portfolio of non-current assets and disposal groups classified as held for sale is as follows:

Thousands of euros

	31/12/2020	31/12/2019
Up to 12 months	322	2,157
From 1 to 2 years	227	857
From 2 to 5 years	8,293	10,562
More than 5 years	11,173	11,098
	20,015	**24,674**

Details, by type of asset, of the profit and loss recognised in 2020 and 2019 due to the sale of non-current assets and disposal groups which have been classified as held for sale are as follows:

Thousands of euros

	2020		2019	
	Profits	Losses	Profits	Losses
Apartments	1,318	(110)	2,291	(579)
Car parks	32	-	10	(11)
Premises	-	-	82	-
Land	250	-	125	-
Adjustments due to depreciation	-	-	-	(323)
	1,600	**(110)**	**2,508**	**(913)**

At 31 December 2020 and 2019 the Andbank Group has no liabilities associated with non-current assets and disposal groups which have been classified as held for sale.

18. Financial liabilities measured at amortised cost

Details of this line item of the statement of financial position at 31 December 2020 and 31 December 2019 are as follows:

Thousands of euros

	31/12/2020	31/12/2019
Deposits	3,997,436	3,282,533
Central banks	168,747	76,407
Credit institutions	439,580	369,962
Other creditors	3,389,109	2,836,164
Debt securities issued	374,135	458,060
Other financial liabilities	117,388	118,254
	4,488,959	**3,858,847**

Note 38 (Risk management) includes certain information relating to interest rate, liquidity and market risks assumed by the Andbank Group in relation to the financial assets and financial liabilities included in this category, as well as information on the concentration of risks.

Financial liabilities comprising the financial liabilities measured at amortised cost portfolio are initially recognised at fair value and measured at amortised cost, using the effective interest rate method.

▪a. Deposits

A breakdown of the balance of this line item in the accompanying consolidated statement of financial position, by type of financial instrument, is as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Central banks	168,747	76,407
Current accounts/overnight deposits	53,377	48,532
Deposits with agreed maturity	115,370	27,875
Deposits redeemable at notice	-	-
Repurchase agreements	-	-
Credit institutions	439,580	369,962
Current accounts/overnight deposits	30,498	36,115
Deposits with agreed maturity	68,118	22,322
Deposits redeemable at notice	-	-
Repurchase agreements	340,964	311,525
Other creditors	3,389,109	2,836,164
Current accounts/overnight deposits	3,171,081	2,443,411
Deposits with agreed maturity	218,028	392,753
Deposits redeemable at notice	-	-
Repurchase agreements	-	-
	3,997,436	**3,282,533**

▪b. Debt securities

i. **Debt securities issued by Andorra Banc Agrícol Reig, S.A.**

The balance of this line item of the accompanying statement of financial position at 2020 and 2019 includes debt issues amounting to Euros 15,563 thousand and Euros 15,730 thousand, respectively, made by the Bank during 2015.

At its meeting held on 26 November 2014 the Bank's board of directors agreed to request authorisation to issue bonds amounting to Euros 15,000 thousand. On 29 December 2014 the AFA granted authorisation to issue perpetual convertible contingent subordinated bonds of Euros 15,000 thousand. These bonds are considered as equity for Andbank's capital adequacy purposes, upon confirmation of registration with the AFA.

Taking as a benchmark the requirements set out in EU legislation and, more specifically, Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR) these bond issues can be computed as additional Tier 1 capital instruments in accordance with the aforementioned regulatory framework.

During the first few months of 2015, these products were issued and commercialised, with the whole amount of the issue being subscribed and accruing interest at an annual rate of 4.24%.

ii. **Debt securities issued by Andorra Capital Agrícol Reig, BV and AB Financials Products,** DAC.

The balance of this line item also includes the issue of securities by Andorra Capital Agricol Reig, B.V. and AB Financial Products, D.A.C., which are shown by maturity dates in 2020 and 2019:

31 December 2020	Up to 1 month	From 1 to 3 months
Debt securities issued in 2013	-	-
Debt securities issued in 2016	-	-
Debt securities issued in 2017	813	-
Debt securities issued in 2018	14,042	5,518
Debt securities issued in 2019	-	430
Debt securities issued in 2020	-	659
	14,855	**6,607**

31 December 2019	Up to 1 month	From 1 to 3 months
Debt securities issued in 2013	-	-
Debt securities issued in 2015	-	-
Debt securities issued in 2016	-	-
Debt securities issued in 2017	-	-
Debt securities issued in 2018	-	-
Debt securities issued in 2019	-	-
	-	**-**

Amongst the issues made by Andorra Capital Agrícol Reig, B.V during 2017, the issue as part of its covered bonds issue programme should be highlighted. This issue was listed on the Global Exchange Market of the Irish Stock Exchange for an amount of Euros 135 million, maturing in 5 years and with a coupon pegged to Euribor with quarterly payments, which at 31 December 2020 was secured by part of the Andbank Group's mortgage loan portfolio for an amount of Euros 140,158 thousand, and by a sum of Euros 33,325 thousand deposited in a correspondent account.

▪c. Other financial liabilities

A breakdown of the financial liabilities measured at amortised cost line item of the consolidated statement of financial position is as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Lease liabilities	100,849	110,715
Bonds payable	8,033	3,427
Guarantees received	115	-
Clearing houses	7,489	21
Deposit accounts	-	-
Special accounts	-	-
Financial guarantees	13	9
Other items	889	4,082
	117,388	**118,254**

Thousands of euros

	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
	-	5,453	-	-	5,453
	18,135	-	25,000	-	43,135
	-	135,850	39,083	-	175,746
	34,020	15,082	-	-	68,662
	760	30,500	-	-	31,690
	12,732	20,495	-		33,886
	65,647	**207,380**	**64,083**	**-**	**358,572**

	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
	16,216	7,673	-	-	23,889
	30,000	-	-	-	30,000
	-	18,917	25,000	-	43,917
	25,833	145,887	39,083	-	210,803
	14,907	74,385	-	-	89,292
	2,000	42,429	-	-	44,429
	88,956	**289,291**	**64,083**	**-**	**442,330**

At 31 December 2020, Other financial liabilities include a balance for Lease liabilities.

Details of maturity dates of lease liabilities maturing after 31 December 2020 and 2019 are as follows:

31/12/2020	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Maturities of lease liabilities	8,500	17,996	15,017	59,336	100,849

31/12/2019	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Maturities of lease liabilities	10,634	17,033	17,383	65,665	110,715

19. Provisions

A breakdown of this line item of the statement of financial position at 31 December 2020 and 2019 is as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Pensions and other benefit obligations and other long-term employee benefits	4,670	5,754
Other long-term employee benefits	-	-
Pending legal issues and tax litigation	570	3,507
Commitments and guarantees given	365	496
Other provisions	13,392	12,983
	18,997	**22,740**

Movement by type of provision during 2020 and 2019 was as follows:

							Thousands of euros
	Pensions and other benefit obligations and other long-term employee benefits	Other long-term employee benefits	Restructuring	Pending legal issues and tax litigation	Commitments and guarantees given	Other provisions	Total
Balance at 1 January 2020	**5,755**	**-**	**-**	**3,507**	**495**	**12,983**	**22,740**
Net provisions	369			272	(16)	248	873
Amounts used	(904)	-	-	(3,209)	(1)	(574)	(4,688)
Other movements	(550)	-	-	-	(113)	735	72
Balance at 31 December 2020	**4,670**	**-**	**-**	**570**	**365**	**13,392**	**18,997**

							Thousands of euros
	Pensions and other benefit obligations and other long-term employee benefits	Other long-term employee benefits	Restructuring	Pending legal issues and tax litigation	Commitments and guarantees given	Other provisions	Total
Balance at 1 January 2019	**6,701**	**-**	**-**	**1,850**	**387**	**8,541**	**17,479**
Net provisions	163	-	-	225	58	3,034	3,480
Amounts used	(1,109)	-	-	-	-	-	(1,109)
Other movements	-	-	-	1,432	50	1,408	2,890
Balance at 31 December 2019	**5,755**	**-**	**-**	**3,507**	**495**	**12,983**	**22,740**

▪a. Pensions and other defined post-employment benefit obligations and Other long-term employee benefits

The Andbank Group has recognised different obligations in relation to personnel: retired employees, early retirees, and funds for other obligations with current Andbank Group employees.

Employees from what was previously called Banc Agrícol i Comercial d'Andorra, S.A., who retired before 22 December 1995 have a defined benefit retirement pension plan created in 1989. Employees who joined the Andbank Group after 1 May 1995, except for certain groups belonging to a defined contribution scheme, do not belong to the retirement pension plan.

The Andbank Group signed individual early-retirement agreements with certain employees (in accordance with Law 17/2008 and related regulations).

Under the agreements signed by retired personnel, the Andbank Group has to make supplementary remuneration payments.

The actuarial variables and other assumptions used in the valuation at 31 December 2020 for retired personnel and early retirees are as follows:

	Retirees	Early retirees
Mortality tables	PERmf2000	PERmf2000
Nominal discount rate	0.26%	0.26%
Nominal rate of salary growth	-	-
Annual rate of pension growth	-	-
Retirement age	-	65

The possible changes arising in the actuarial variables would not have a significant effect on these annual accounts.

Payments made to retirees and early-retirees (in accordance with Law 17/2008 and related regulations) during 2020 and 2019 have been recognised against goodwill.

The other obligations fund, which is for current employees, is secured by deposits transferred to the interbank market.

Current personnel adhering to the plan for other obligations can, upon request, transfer their funds to investment schemes managed by the Andbank Group off the balance sheet. At 31 December 2020 balances managed off the balance sheet amounted to Euros 435 thousand (Euros 394 thousand at 31 December 2019), whilst internal funds recognised under Provisions amount to Euros 3,084 thousand (Euros 3,307 thousand at 31 December 2019).

▪b. Other provisions

Other provisions comprise events and other provisions not included in previous line items.

The Bank's directors do not expect that the resolution of these events could significantly affect the consolidated financial statements.

20. Capital and Reserves

Details of movement in the Andbank Group's capital and reserves in 2020 and 2019 is shown in the statement of changes in equity.

▪a. Capital

At 31 December 2020 the Andbank Group's share capital comprises 1,769,343 shares (1,751,825 class A shares, 14,232 class B shares and 3,286 class C shares) at Euros 44.56 par value each, fully subscribed and paid up and represented by book entries. All of the Andbank Group's shares have the same voting and economic rights and there are no different voting rights for each shareholder. There are no shares representing capital. Shares are not listed on organised markets.

▪b. Share premium, retained earnings, revaluation reserves and other reserves

Details of these line items of the statement of financial position at 31 December 2020 and 2019 are as follows:

Thousands of euros

	31/12/2020	31/12/2019
Share premium	73,441	73,441
Retained earnings	455,963	427,156
Legal reserve	15,768	15,768
Guarantee reserves	27,026	27,026
Statutory reserves	-	-
Voluntary reserves	411,242	382,435
Own share reserves	1,927	1,927
Revaluation reserves	-	-
	529,404	500,597

▪ **Sharepremium**

At 31 December 2020 and 31 December 2019 the balance of this line item of the statement of financial position amounted to Euros 73,441 thousand.

▪ **Legalreserve**

In accordance with Andorran mercantile law, banks must allocate 10% of the year's profit to the legal reserve until it reaches 20% of the share capital. At 31 December 2020 the legal reserve is fully appropriated.

▪ **Guarantee reserves**

This item includes the deposit guarantee reserves and other operating obligations which have to be deposited with the AFA by entities belonging to the financial system.

In compliance with Law 20/2018 of 13 September 2018 regulating Andorran deposit guarantees and the Andorran system for guaranteeing investments, at 31 December 2020 and 2019 Guarantee reserves totalled Euros 27,026 thousand.

▪ **Voluntary reserves**

Voluntary reserves include an amount of Euros 107,622 thousand for differences on first-time consolidation that are restricted.

▪ **Revaluation reserves**

Revaluation reserves reflect the revaluation of the carrying amount of some of the Andbank Group's buildings to reflect their market value.

The revaluation reserves are not available for distribution unless the assets effectively leave the Andbank Group and/or the AFA authorises their distribution.

▪ **Consolidation reserves**

At 31 December 2020 and 2019 consolidation reserves correspond to the following companies:

		Thousands of euros
	31/12/2020	**31/12/2019**
Andorra Gestió Agrícol Reig, SAU.	2,588	186
Andorra Assegurances Agrícol Reig, SA	547	471
Nobilitas N.V. Group	324	(1,735)
Andbank Bahamas (Limited)	74	13,999
Andbank Luxembourg Group	12,245	10,436
Andbank Espanya Group	17,318	8,213
Quest Wealth Advisers, Inc (Panamà)	7,879	9,030
APW Consultores Financeiros Lda	15	141
Andbank Monaco S.A.M.	2,275	6,138
Banco Andbank (Brasil) S.A.	(1,467)	(1,200)
Sigma Investment House Group	(919)	(931)
Other	161	(220)
	41,040	**44,528**

Movement in consolidation reserves in 2020 and 2019 is as follows:

	Thousands of euros
Balance at 31 December 2018	**46.743**
Distribution of 2018 profit to reserves	10,423
Other consolidation adjustments	(12,638)
Balance at 31 December 2019	**44,528**
Distribution of 2019 profit to reserves	(2,686)
Other consolidation adjustments	(802)
Balance at 31 December 2020	**41,040**

▪ **Otherreserves**

The reserves included under Others and Other reserves mainly comprise the adjustments for the first-time adoption of IFRS, as well as those adjustments made during 2018 due to the first-time adoption of IFRS 9.

▪ **Equityinstruments issued other than capital**

At 31 December 2020 and 2019 equity instruments issued other than capital reflect perpetual contingent subordinated obligations issued on 24 December 2014 for an amount of Euros 35,000 thousand.

During 2020 the Andbank Group repurchased an amount of Euros 200 thousand, with the sum issued at 31 December 2020 totalling Euros 34,800 thousand.

At its meeting held on 26 November 2014 the Bank's board of directors agreed to request authorisation to issue bonds amounting to Euros 35,000 thousand. On 29 December 2014 the AFA granted authorisation to issue perpetual contingent subordinated bonds of Euros 35,000 thousand. These bonds are considered as equity for Andbank's capital adequacy purposes, upon confirmation of registration with the AFA.

Taking as a benchmark the requirements set out in EU legislation and, more specifically, Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR) these bond issues can be computed as additional Tier 1 capital instruments in accordance with the aforementioned regulatory framework.

During the first few months of 2015, this product was issued and commercialised, with the whole amount of the issue being subscribed and accruing interest at an annual rate of 4.24%.

c. Profits/losses attributable to the Andbank Group

Details of profits/losses contributed by each of the companies comprising the Andbank Group during 2020 and 2019 are as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Andorra Banc Agrícol Reig, SA	**15,070**	**30,726**
Fully consolidated companies:	**16,407**	**13,871**
Andorra Gestió Agrícol Reig, SA	1,150	1,741
Andbank (Bahamas) Limited	(157)	(1,176)
Nobilitas N.V. Group	1,762	2,413
Columbus de México, SA, CV	902	830
And Private Wealth, SA	231	(128)
Quest Capital Advisers	576	635
Andbanc Wealth Management LLC Group	503	1,345
Consolidation adjustments Nobilitas Group	(450)	(269)
Andbank Luxembourg Group	1,003	(191)
Andbank (Luxembourg) SA	703	1,429
Andbank Asset Management Luxembourg, SA	752	428
Consolidation adjustments Andbank Luxembourg Group	(452)	(2,048)
Andbank España Group	12,007	10,898
Andbank España, SA	7,613	5,183
Andbank Wealth Mangament,SGIIC, SAU	3,206	5,762
Medipatrimonia Invest, SL	376	-
APC SSAA	30	26
Andbank correduria de Seguros, SL	(25)	220
Merchbanc, SGIIC, SAU	-	561
Merchbanc, EGPF, SA	182	(60)
Merchbanc, Internacional SARL	(77)	68
MyInvestor, SLU	1,047	-
Consolidation adjustments Andbank España Group	(345)	(862)
Quest Wealth Advisers, Inc (Panamà)	(587)	(662)
APW Consultores Financeiros Ltda.	11	(132)
Andbank Monaco, SAM	968	838
Banco Andbank Brasil Ltda.	(927)	111
Andorra Assegurances Agrícol Reig, SA	223	177
Other	954	(146)
Consolidation adjustments	**(2,007)**	**(16,557)**
	29,470	**28,040**

21. Accumulated other comprehensive income - Equity

Details of accumulated other comprehensive income during 2020 and 2019 by type of instrument are as follows:

Thousands of euros

	31/12/2020	31/12/2019
Items that will not be reclassified to profit or loss	**84**	**307**
Tangible assets	-	-
Intangible assets	-	-
Actuarial gains or losses on defined benefit pension plans	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	84	307
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-
Items that may be reclassified to profit or loss	**(38,428)**	**(20,193)**
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	(39,513)	(16,853)
Hedging derivatives Cash flow hedges (effective portion)	(588)	(3,139)
Fair value changes of debt instruments measured at fair value through other comprehensive income	1,673	(201)
Hedging instruments (not designated elements)	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-
	(38,344)	**(19,887)**
Income tax relating to items that will not be reclassified to profit or loss	(9)	(31)
Income tax relating to items that may be reclassified to profit or loss	3,842	2,019
	(34,511)	**(17,898)**

The statement of recognised income and expenses for 2020 and 2019, which forms an integral part of the statement of consolidated changes in equity, shows the movements in this line item of the consolidated statement of financial position during these years.

The changes in recognised income and expenses recognised under Equity as accumulated other comprehensive income are due to the gains on the valuation of own shares classified under Changes to fair value of debt instruments measured at fair value through other comprehensive income, Hedging instruments. Cash flow hedges and Currency conversion.

22. Off-balance sheet exposures

a. Loan commitments, financial guarantees and other commitments given and received

A breakdown of the balance of these amounts at 31 December 2020 and 31 December 2019 is as follows:

Thousands of euros	31/12/2020	31/12/2019
Loan commitments given	**357,725**	**352,110**
Of which: Non-performing:	2,825	11
Central banks	-	-
General governments	25,923	3,474
Credit institutions	-	-
Other financial corporations	24,287	11,672
Non-financial corporations	192,882	236,459
Of which SMEs		125,490
Households	114,633	100,505
Financial guarantees given	**71,327**	**63,824**
Of which: Non-performing:	-	-
Central banks	-	-
General governments	71	71
Credit institutions	6,557	6,542
Other financial corporations	4,574	4,851
Non-financial corporations	35,204	33,702
Of which SMEs	-	13,470
Households	24,921	18,658
Other commitments given	**16,648**	**13,060**
Of which: Non-performing:	-	-
Central banks	-	-
General governments	-	-
Credit institutions	602	2,405
Other financial corporations	6,764	6,310
Non-financial corporations	7,353	3,723
Of which SMEs	-	-
Households	1,929	622

Thousands of euros	31/12/2020	31/12/2019
	Maximum amount of guarantee	Maximum amount of guarantee
Financial guarantees received	**370,296**	**364,009**
Central banks	-	-
General governments	18,537	3,830
Credit institutions	500	-
Financial corporations	70	76
Other non-financial companies	20,687	50,050
Of which SMEs	-	14,601
Households	330,502	310,053

23. Third party transactions

A breakdown of the most significant accounts included in this line item at 31 December 2020 and 2019 is as follows:

Thousands of euros	31/12/2020	31/12/2019
Shares and other variable-income securities	3,091,939	2,815,751
Bonds and other fixed-income securities	2,285,827	2,611,779
Units in investment funds not managed by the Group	7,719,413	6,172,346
Units in investment funds managed by the Group	93,753	101,044
Other	8,608	6,839
	13,199,540	**11,707,759**

Details of assets managed for third parties on or off the balance sheet, whether held in custody or not by the Andbank Group at 31 December 2020 and 2019 are as follows:

Thousands of euros	31/12/2020			31/12/2019		
	Held in custody / deposited by the Bank	Held in custody / deposited by third parties	Total	Held in custody / deposited by the Bank	Held in custody / deposited by third parties	Total
Collective investment undertakings	1,198,865	992,001	2,190,866	1,184,876	1,094,112	2,278,988
Individual customer portfolio managed discretionally	1,952,213	7,900,685	9,852,898	1,704,857	7,780,802	9,485,659
Other individual customers	13,258,751	-	13,258,751	12,058,115	17,933	12,076,048
	16,409,829	**8,892,686**	**25,302,515**	**14,947,848**	**8,892,847**	**23,840,695**

24. Interest income and expenses

▪a. Interest income

This comprises interest accrued during the year for financial assets for which the implicit or explicit return is obtained by applying the effective interest method, regardless of whether it is measured at fair value, as well as modifications of income as a result of hedging.

Details of interest income recognised in the consolidated income statement at 31 December 2020 and 31 December 2019 are as follows:

Thousands of euros	31/12/2020	31/12/2019
Financial assets held for trading	1,692	5,849
Of which: Trading derivatives	-	-
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	4,358	5,418
Financial assets at amortised cost	35,799	38,011
Of which: Debt securities	4,448	-
Of which: Loans and advances	31,351	25,662
Derivatives - Hedge accounting, interest rate risk	14	-
Other assets	3	-
	41,866	**49,278**

▪b. nterest expenses

This comprises interest accrued during the year for financial liabilities with implicit or explicit returns, including that from remuneration in kind, which is obtained by applying the effective interest method, regardless of whether it is measured at fair value, as well as modifications of cost as a result of hedging.

Details of interest expenses recognised in the consolidated income statement at 31 December 2020 and 31 December 2019 are as follows:

		Thousands of euros
	31/12/2020	31/12/2019
Financial liabilities held for trading	-	-
Of which: Trading derivatives	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost	18,649	29,567
Of which: deposits	12,561	18,307
Of which: Debt securities issued	6,088	11,260
Other liabilities	1,732	1,910
Interest expense on assets	-	-
Derivatives - hedge accounting, interest rate risk	201	-
	20,582	31,477

25. Dividend income

This comprises dividends and remuneration from equity instruments corresponding to profits generated by subsidiaries:

		Thousands of euros
	31/12/2020	31/12/2019
Dividend income		
Financial assets at fair value through other comprehensive income	118	169
	118	169

26. Fee and commission income

This includes the amount of fees and commissions accrued during the year, except those which form an integral part of the effective interest rate of financial instruments.

A breakdown of the balance of this line item of the consolidated income statement at 31 December 2020 and 2019 is as follows:

		Thousands of euros
	31/12/2020	31/12/2019
Fee and commission income		
Fees and commission on services	7,420	5,755
Income from services	13,261	11,387
Fees and commission on giros	1,075	935
Fees and commission on safe deposit rental	259	493
Fees and commission on credit cards	1,542	1,919
Fees and commission on account maintenance	7,608	5,596
Other	2,777	2,444
Surety bonds	664	573
Fees and commission on transferable securities	160,701	157,385
Stock exchange transactions on behalf of customers	57,896	51,586
Securities depositary management	19,776	19,056
Financial transactions	83,029	86,743
	182,046	175,100

27. Fee and commission expenses

These include the amount of all fees and commissions paid or payable and accrued during the year, except those which form an integral part of the effective interest rate of financial instruments.

A breakdown of the balance of this line item of the consolidated income statement at 31 December 2020 and 2019 is as follows:

		Thousands of euros
	31/12/2020	31/12/2019
Fee and commission expenses		
Securities deposits	894	964
Fees and commission on credit cards	1,274	1,236
Swift expenses	311	235
Representation expenses	51,424	41,255
Other	3,855	4,001
	57,758	47,691

28. Gains or losses on financial assets and liabilities

This note includes Gains or losses derecognised in 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; Gains or losses on non-trading financial assets mandatorily through profit or loss, net; Gains or losses on financial assets designated at fair value through profit or loss, net; and Gains or losses from hedge accounting, net.

Details of the balances of this line item of the accompanying consolidated income statement at 31 December 2020 and 2019 are as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Gains or losses on financial assets and liabilities		
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	6,926	17,161
Financial assets at fair value through other comprehensive income	6,926	11,368
Financial assets at amortised cost	-	5,793
Financial liabilities measured at amortised cost	-	-
Other	-	-
Gains or losses on financial assets and liabilities held for trading, net	48,571	36,294
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	3,075	2,008
Gains or losses on financial assets designated at fair value through profit or loss, net	104	-
Gains or losses from hedge accounting, net	(270)	(228)
	58,406	**55,235**

Details of Gains or losses derecognised in financial assets and financial liabilities not measured at fair value through profit or loss, net at 31 December 2020 and 31 December 2019 are as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Gains or losses on financial assets and liabilities held for trading, net		
Derivatives	10,999	(422)
Equity instruments	(839)	7,037
Debt securities	38,411	29,679
	48,571	**36,294**

29. Exchange differences, net

This line item of the consolidated income statement basically includes the gains and losses obtained on the purchase and sale of currencies and the differences arising when converting monetary items in foreign currency in the consolidated statement of financial position to Euros.

These net exchange differences recognised in the consolidated income statement at 31 December 2020, excluding those corresponding to the portfolio of financial assets and financial liabilities at fair value through profit or loss, amount to Euros 5,463 thousand (Euros 6,227 thousand at 31 December 2019).

30. Other operating income/expenses

A breakdown of the balance of this line item of the consolidated income statement at 31 December 2020 and 2019 is as follows:

Thousands of euros

	31/12/2020		31/12/2019	
Other operating income and other operating expenses	**Income**	**Expenses**	**Income**	**Expenses**
Changes in fair value of tangible assets measured using the fair value model	-	-	-	-
Investment property	120	-	132	-
Operating leases other than investment property	707	-	950	-
Other	7,899	(6,278)	4,694	(5,207)
	8,726	**(6,278)**	**5,776**	**(5,207)**

31. Administrative expenses

a. Staff expenses

A breakdown of the amounts included under this line item in the consolidated income statement for 2020 and 2019 is as follows:

Thousands of euros

Staff expenses	31/12/2020	31/12/2019
Salaries and bonuses to current employees	77,174	78,034
Social Security contributions	13,307	13,301
Other salary commitments	650	635
Severance payments	-	-
Independent professional services	-	-
Repairs and maintenance	1,844	2,218
Other staff expenses	6,297	8,785
	99,272	**102,973**

b. Other administrative expenses

A breakdown of this line item of the consolidated income statement at 31 December 2020 and 2019 is as follows:

Thousands of euros

Other administrative expenses	31/12/2020	31/12/2019
Furniture, fittings and materials	2,131	1,655
Utilities	856	946
IT and communications	21,294	15,231
Publicity and advertising	3,306	3,664
Security and fund courier services	439	390
Insurance and self-insurance premiums	829	778
Independent professional services	14,472	15,811
Repairs and maintenance	1,581	1,496
Administration	4,538	4,236
Other	3,134	3,265
	52,580	**47,472**

32. Provisions or reversals of provisions

At 31 December 2020 and 31 December 2019 net charges to this line item of the consolidated income statement are as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Provisions or reversals of provisions		
Pensions and other post employment defined benefit obligations and other long-term employee benefits	(369)	(162)
Pending legal issues and tax litigation	(272)	(225)
Commitments and guarantees given	16	(58)
Other provisions	(248)	(3,034)
	(873)	**(3,479)**

33. Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss

Impairment losses on financial assets, disclosed by nature of these assets, recognised in the consolidated income statement at 31 December 2020 and 31 December 2019 are as follows:

			Thousands of euros
31 December 2020	Gains	(Losses)	Total net of gains and losses
Financial assets carried at cost	-	-	-
Financial assets at fair value through other comprehensive income	-	(84)	(84)
Financial assets at amortised cost	7,824	(7,058)	766
	7,824	**(7,142)**	**682**

			Thousands of euros
31 December 2019	Gains	(Losses)	Total net of gains and losses
Financial assets carried at cost	-	-	-
Financial assets at fair value through other comprehensive income	-	(42)	(42)
Financial assets at amortised cost	3,903	(2,420)	1,483
	3,903	**(2,462)**	**1,441**

34. Impairment or reversal of impairment on non-financial assets

At 31 December 2020 and 2019 the Andbank Group presents the following balance classified as impairment or reversal of impairment on non-financial assets:

		Thousands of euros
	31/12/2020	**31/12/2019**
Impairment or reversal of impairment on non-financial assets		
Property, plant and equipment	(255)	10
Investment property	-	-
Intangible assets	(243)	26
Other assets	(18)	(109)
	(516)	**(73)**

35. Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations.

Details of the balance of this line item of the consolidated income statements at 31 December 2020 and 31 December 2019 are as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Net gains on sale of buildings	1,600	1,918
Impairment of non-current assets held for sale	(110)	(323)
Gains (losses) on sale of investments classified as non-current assets held for sale	-	-
Gains (losses) on sale of other equity instruments classified as non-current assets held for sale	-	-
	1,490	**1,595**

36. Balances and transactions with related parties

Andorra Banc Agrícol Reig, SA and other Andbank Group companies carry out transactions with their related parties within the normal course of business. All these transactions are carried out in normal market conditions. Other related parties include shareholders with significant influence over the Bank, i.e. with an interest of more than 5%. A breakdown of transactions with related parties identified in 2020 and 2019 is as follows:

▪a. Transactions with related entities and individuals

The balances of the accompanying consolidated statements of financial position and income statements originating due to transactions carried out by the Andbank Group with related parties at 31 December 2020 and 2019 are as follows:

		Thousands of euros
	Outstanding balances	
2020	Key management personnel of the Bank or its Parent	Other related parties
Selection of financial assets	**855**	**72,022**
Equity instruments	-	-
Debt securities	-	-
Loans and advances	855	72,022
Of which: financial assets subject to impairment	-	16
Selection of financial liabilities	**4,534**	**24,575**
Deposits	4,434	24,175
Debt securities issued	100	400
Nominal amount of loan, financial guarantee and other commitments given	**34**	**9,027**
Notional amount of derivatives	**-**	**-**
Income statement	**37**	**1,288**
Finance income	8	885
Finance costs	-	-
Fee and commission income	28	144
Fee and commission expenses	-	-
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	1	259
Memorandum items	**14,077**	**122,072**
Security deposits and other securities held in custody	14,077	122,072

2019	Outstanding balances	
	Key management personnel of the Bank or its Parent	Other related parties
Selection of financial assets	**974**	**96,580**
Equity instruments	-	-
Debt securities	-	-
Loans and advances	974	96,580
Of which: financial assets subject to impairment	-	14
Selection of financial liabilities	**4,470**	**32,742**
Deposits	4,370	32,742
Debt securities issued	100	-
Nominal amount of loan, financial guarantee and other commitments given	**44**	**9,308**
Notional amount of derivatives	**129**	**-**
Income statement	**22**	**1,078**
Finance income	4	909
Finance costs	-	(4)
Fee and commission income	18	174
Fee and commission expenses	-	-
Memorandum items	**10,159**	**114,398**
Security deposits and other securities held in custody	10,159	114,398

Thousands of euros

▪b. Remuneration of key management personnel of the Bank

The Andbank Group considers key management personnel to be the Bank's board of directors, as well as the members of the Bank's senior management.

Details of remuneration accrued in 2020 and 2019 by key management personnel are as follows:

Thousands of euros

	2020	2019
Remuneration		
Fixed remuneration	4,140	4,083
Variable and deferred remuneration	1,747	1,806
Other staff expenses	216	225
Total	**6,103**	**6,114**

37. Taxation

The Andbank Group's Andorran companies file corporate income tax returns in accordance with the revised Law 95/2010 of 29 September 2010 on corporate income tax. In accordance with prevailing legislation, these companies' profits are taxed at a rate of 10%. Tax payable is eligible for certain deductions in accordance with legislation prevailing at any given time. Foreign subsidiaries are taxed in accordance with the legislation of each country.

In the opinion of the Bank's directors and its tax advisors, there are no significant tax contingencies which could give rise to possible different interpretations of prevailing tax legislation in the event of an inspection. Details of this line item of the consolidated income statement are as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Current income tax for the year	(1,134)	(2,372)
Deferred tax income	-	-
Income tax adjustments	639	207
Local income tax	**(495)**	**(2,165)**
Foreign income tax	(5,417)	(2,978)
Total	**(5,912)**	**(5,143)**

Due to the difference in the treatment of certain operations stipulated by tax legislation, the accounting income differs from the taxable income. A reconciliation between accounting profit for the year and the basis used to calculate the income tax expense of the Andbank Group's Andorran companies is shown below. Movement in prepaid and deferred taxes recognised during the year is presented hereinbelow:

		Thousands of euros
	31/12/2020	**31/12/2019**
Accounting profit before tax	16,938	34,804
Permanent differences	2,778	(1,491)
originating in the year	2,778	(1,491)
originating in prior years	-	-
Accounting income	19,716	33,313
Tax rate of 10%	1,972	3,331
Tax payable	1,972	3,331
Deductions and credits	(838)	(959)
Income tax expense for the year	1,134	2,372

A reconciliation between accounting profit before tax and the aggregate income tax expense of the Andbank Group's Andorran companies for 2020 and 2019 is as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Income and expenses for the year	16,938	34,804
10% of the income and expenses balance for the year	1,694	3,480
Tax effect of permanent differences	278	(149)
Deductions and credits for the current year	(838)	(959)
Income tax expense	1,134	2,372

As a result of prevailing legislation, certain temporary differences have arisen which have been recognised in the consolidated statement of financial position at 31 December 2020 and 2019. Movement in the different deferred tax assets and liabilities of the Andbank Group's Andorran companies during 2020 and 2019 has been as follows (in Thousands of euros):

				Thousands of euros
	Deferred tax assets		**Deferred tax liabilities**	
	2020	**2019**	**2020**	**2019**
Opening balance	11,574	15,914	31	15
Increases (*)	265	4,135	646	16
Decreases	(1,276)	(8,475)	-	-
Closing balance	**10,563**	**11,574**	**677**	**31**

Details, by type, of the origin of deferred tax assets and liabilities of the Andbank Group's Andorran companies at 31 December 2020 and 2019 are as follows:

		Thousands of euros
	31/12/2020	**31/12/2019**
Deferred tax assets		
Differences due to temporary charging of income and expenses		
Provisions and other impairment	2,935	3,213
Other	782	239
Other assets	**6,846**	**8,122**
	10,563	**11,574**
Deferred tax liabilities		
Other	677	31

Deferred tax assets include amounts recognised by the Andbank Group's Andorran companies for unused deductions (Euros 540 thousand) and for tax losses (Euros 58,787 thousand) once the forecast income tax for 2020 has been accounted for.

38. Risk management

▪a. General model for risk management and control

One of the Andbank Group's key issues and priority objectives has always been to achieve a robust and efficient risk control and management model. 2020 has been a year of continuity with regard to developing and strengthening the integral risk management model, which covers all risks to which the Andbank Group is exposed and enables optimum management of capital.

In order to ensure a shift towards advanced risk management, during 2016 the Andbank Group implemented a Corporate Risks Plan, setting out the bases for developing an integral management model in line with the recommendations of the regulators and best market practices. In 2017 the main areas of action as part of this programme were implemented and the Andbank Group's integral risk management model became a reality, and was consolidated in 2019.

The model for managing and controlling risks is based on establishing the metrics and limits of the risk appetite framework, such as the quantity and type of risks which are considered reasonable to assume as part of the business strategy. New metrics have been incorporated into the risk appetite framework in 2020, both in order to improve the tools for managing and controlling the business and to deal with new regulatory requirements. At year end the metrics and limits of the risk appetite framework have been reviewed for the purpose of adapting them to the Andbank Group's business strategy and its attainment of objectives.

The established control environment enables the risk profile to be kept within the risk appetite stage and to adapt to a growing and increasingly strict regulatory environment.

The main items ensuring effective control are:

- A robust risk governance structure led by the Risks Committee, which acts as an advisor to the board of directors with regard to risk exposure. This Committee has two specialised advisors in charge of guaranteeing compliance with regulations and conformity with the best international standards with regard to risk control and management.

- The corporate risk and capital policy framework sets out the basic principles for the management of all risks to which the Bank is exposed. This framework enables a homogeneous risk control and management model to be set up in all of the Andbank Group's subsidiaries, in line with its global strategy.

- Independence of the risk function guaranteeing the separation between the risk generating units and those responsible for controlling these risks.

- Aggregated supervision and consolidation of all the risks.

- A risk culture integrated throughout the organisation, comprising a series of attitudes, values, skills and measures in view of all risks.

▪b. Capital management

As part of the process of officially validating the legislative framework in line with European legislation and in particular, with regard to prudential legislation, the General Council of the Principality of Andorra approved Law 35/2018 on solvency, liquidity and prudential supervision of banking entities and investment firms at its session held on 20 December 2018. The aim of this Law, in conjunction with the related regulation, is to encompass the EU CRD IV legislation enforced by Regulation EU no. 575/2013 and Directive 2013/36/EU.

This Law entered into force on 24 January 2019 and repeals the Law regulating the capital adequacy and liquidity criteria of financial institutions of 29 February 1996.

The new Law obliges banking entities to maintain a minimum CET1 of 4.5%, minimum TIER1 capital of 6% and a total capital ratio of 8%. At 31 December 2020 Andbank's capital is significantly above these minimum ratios. In this regulatory environment, Andbank's capital ratios at 31 December 2020 are:

	Law 35/2018
CET1 ratio	13.56%
TIER1 ratio	16.02%
Total capital ratio	16.02%

c. Credit risk

Credit risk refers to the potential loss deriving from fully or partially failing to discharge a contractual obligation of a customer or counterparty with the Andbank Group.

The Andbank Group's main business strategy is focused on private banking activities, with not only a very broad customer base but also a high diversification and low concentration of customer funds. In addition, the Bank exclusively carries out retail banking activities for the Andorran market, by giving loans to individuals and small and medium-sized companies in Andorra.

For the purpose of ensuring optimum credit risk management integrated into the global risk management structure, thus enabling a return to be obtained in accordance with the assumed risk level, the Andbank Group has defined certain shared basic principles to guarantee adherence with the Bank's business plan, the risk appetite defined and compliance with regulatory guidelines.

Credit risk management is based on a solid organisational and governance model participated in by the board of directors and different risk committees, which define the risk policies and procedures, the limits and delegation of powers and approve and supervise the framework of implementation of the credit risk function.

Within the exclusive credit risk scenario, the credits committee is the decision-making body responsible for supervising and controlling the Andbank Group's credit risk. The aim of this committee is to be an instrument for the effective control of credit risk, advising the Executive Committee, in order to ensure that the credit risk is managed in line with the approved risk appetite level.

(i). Credit risk cycle

The full credit risk management cycle encompasses the entire life of the transaction, from the analysis of feasibility and the admission of the risk according to the established criteria, follow up of outstanding transactions and ending with the recovery of the impaired assets.

- **Analysis and admission of transactions:**

  A feature of the process of analysing and admitting loan and credit transactions is the strict analysis of the customer's ability to repay the debt, as well as the nature, liquidity and quality of the guarantees provided.

  This process must take into consideration the criteria for approving transactions defined in the credit risk policy, as well as the delegation rules based on the allocation of powers to the different governing bodies according to the type of product, amount and maturity date.

  In addition, for the purpose of mitigating the risk exposure, the Andbank Group has defined a model setting out the limits and authorised limits with each counterparty. This model is approved by the board of directors and is reviewed on a yearly basis. Any new transaction is subject to compliance with these limits, which is monitored continuously.

  This analysis and admission process comprises three phases:

  - Proposal: the manager presents the transaction with an analysis of the customer's credit quality, its positions, solvency and yield based on the assumed risk.

  - Analysis of transaction: the credit risk department analyses the details of the proposal, validating that the information relating to the transactions exists in documentary form, as well as the quality and accessibility of the information required for subsequent approval.

  - Approval of the transaction: once the transaction has been analysed, the credit risk department approves it taking into account not only the granting policies defined but also the risk appetite limits, whilst striving to keep a balance between risk and yield.

  - Communication: the admission process concludes with the issue and signing of a document and its subsequent reporting to the involved parties so that it can be correctly registered in the systems.

- **Monitoring:**

  Monitoring of customers and transactions comprises an analysis of all the items which could have an effect on their credit quality, to detect in advance any incidents which could arise so that actions can be taken to mitigate or resolve them.

  As a result of this monitoring, those customers or transactions are identified which require a more thorough review and a more exhaustive follow up, either because their credit quality is impaired or because their nature and/or amount so require.

  In addition, daily monitoring and control is performed on compliance of limits and lines of risk approved. At market close, all the exposures are recalculated in accordance with the inflows and outflows of transactions, market variations and risk mitigation mechanisms established. In this way, exposures are subject to daily monitoring and a control of the approved limits.

- **Recoveries:**

  Recovery is a relevant function within the credit risk environment. This process defines the strategies and measures required to ensure the correct regularisation and recovery of credits in an irregular situation, in the shortest timeframe and at the lowest cost possible. This function is carried out by the collection and recovery department. This department is an area of direct customer management and its added value is based on the efficient and effective management of collections, either by regularisation of balances payable or full recovery.

The recovery management model requires the adequate coordination of different departments (sales, risks and legal advisory) and is subject to permanent review and ongoing improvement in management processes and methodologies, adapting them based on the prevailing legislation and best practices in the sector.

(ii). Credit risk impairment

A financial asset or credit risk are considered impaired if there is objective evidence of impairment as a result of one or more events which give rise to a negative impact on the estimated future cash flows when the transaction is formalised, due to the materialisation of a credit risk. Impairment losses on debt instruments and other off-balance sheet loan exposures are recognised as an expense in the consolidated income statement for the year in which this impairment is estimated. The recovery of previously recognised losses, where applicable, is also recognised in the consolidated income statement for the year in which the impairment disappears or is reduced.

Impairment of financial assets is calculated based on the type of instrument after taking into consideration the effective guarantees received For debt instruments measured at amortised cost, the Andbank Group recognises both valuation allowances when loan loss allowances and provisions are made for impairment losses, and direct write offs against assets, when it considers that recovery is remote.

Accounting classification based on credit risk due to insolvency

The Andbank Group has established criteria to enable it to identify borrowers with significantly increased risk or weaknesses or objective evidence of impairment and classify them based on their credit risk.

Credit exposure, as well as off-balance sheet exposures, are classified based on the credit risk, in the following stages:

- Standard or Stage 1: transactions that do not meet the requirements for classification in other categories.

- Standard exposure with significant increase in risk or Stage 2: this category comprises all transactions which, without qualifying individually for classification as Stage 3 or write-off, have shown significant increases in credit risk since initial recognition. This category includes transactions for which there are amounts more than 30 days past due. Refinanced and restructured transactions, classified in this category, are transferred to a lower risk category when they meet the requirements established for this reclassification. Transactions classified as standard under special monitoring (Stage 2), due to significant increases in risk or as a result of amounts more than 30 days past due, are reclassified in the standard exposure category (Stage 1) once the six-month trial period has elapsed, based on the probability of entering the standard exposure under special monitoring category.

- Doubtful or Stage 3: comprises debt instruments, either past due or not, for which without meeting the circumstances to be classified under write-off show reasonable doubts regarding their full repayment (principal and interest) by the borrower, as well as off-balance sheet exposures, payment of which by the Andbank Group is probable and their recovery doubtful.

    - Due to customer arrears: transactions with an amount (principal, interest or contractually agreed expenses), generally more than 90 days past due (although the particular nature of the purchased or originated credit-impaired transactions are taken into consideration), unless they should be classified as write-off. This category also includes the collateral given when the borrower defaults on the secured transaction. Likewise, amounts of all transactions of a borrower are included when transactions with amounts generally past due, as indicated above, by more than 90 days exceed 20% of the amounts receivable.

    - For reasons other than customer arrears: transactions which, without meeting the conditions for being classified as write-off or stage 3 due to customer arrears, show reasonable doubts about the obtaining of estimated cash flows, as well as off-balance sheet exposures not classified in Stage 3 due to customer arrears, payment of which by the Andbank Group is probable and their recovery doubtful.

The accounting definition of Stage 3 is in line with that used by the Andbank Group to manage credit risk. Likewise, it is in line with the definition of regulating default, with the exception that in regulating terms default is considered to be all transactions of a borrower in a business segment when there are amounts past due by more than 90 days, whilst the accounting definition specifies that all borrowers' transactions are Stage 3 when amounts past due by more than 90 days exceed 20% of the amounts receivable.

- Write-off: The Andbank Group derecognises from the statements of financial position transactions the recovery of which, after an individual analysis, is considered fully or partially remote. This category includes risks of customers under insolvency, with request for liquidation, as well as transactions classified as Stage 3 due to customer arrears past due by more than four years, or less when the amount not hedged with effective guarantees has been held with a credit risk hedge of 100% over a period of more than two years, except for balances with sufficient effective guarantees. It also includes transactions which, without any of the aforementioned circumstances, show a significant and irrecoverable impairment in solvency.

(iii). Estimated hedging of credit risk losses

Debt instruments not included in financial assets held for trading, as well as off-balance sheet exposures are classified based on the insolvency credit risk, in the categories included in the sections below.

Hedging transactions classified as standard exposure are associated with a group of transactions with similar credit risk characteristics (homogeneous risk group) and therefore, they can be estimated collectively, taking into consideration the credit losses on transactions with similar risk characteristics.

Hedging of transactions classified as standard risk with significant increase in risk can be associated with a homogeneous risk group or with a transaction. When they are associated with a homogeneous risk group they are estimated collectively; when they are associated with specific transactions they can either be estimated individually based on credit losses, or collectively.

Finally, hedging of transactions classified as doubtful risk are associated with specific transactions and can be estimated either individually or collectively.

(iv). Credit risk mitigation

Exposure to credit risk is strictly managed and monitored based on an analysis of borrowers' insolvency and their ability to meet payment of their obligations with the Andbank Group, and exposure limits established for each counterparty are brought into line with a level considered to be acceptable. It is also usual practice to modulate the level of exposure by the borrower setting up collateral and guarantees in favour of the Andbank Group.

Normally, these relate to collateral securities, mainly monetary collateral, securities or mortgages on buildings destined for housing (finished or under construction). The Andbank Group also accepts, albeit to a lesser extent, other types of collateral such as mortgages on retail premises, industrial bays, etc., as well as financial assets. Another credit risk mitigation technique often used by the Andbank Group is the acceptance of guarantees, in this case conditioned by the guarantor showing proven solvency.

All these risk mitigation techniques are subject to legal assurance, i.e. by legal contracts binding all of the parties and enabling their legal enforcement in all pertinent jurisdictions in order to ensure, at all times, the possibility of liquidating the collateral.

Maximum exposure to credit risk

In accordance with IFRS 7 Financial instruments: Disclosures, details are provided below, by line item of the consolidated statement of financial position, of the distribution of the Andbank Group's maximum exposure to credit risk at 31 December 2020 and 2019, without deducting the collateral security or the credit enhancements obtained to ensure compliance with payment obligations, disclosed by nature of the financial instruments.

Maximum exposure to credit risk	31/12/2020	31/12/2019
Financial assets held for trading	189,958	174,198
Derivatives	108,897	76,796
Equity instruments	2,034	7,351
Debt securities	79,027	90,051
Loans and advances	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	8,990	10,073
Equity instruments	8,990	10,073
Debt securities	-	-
Loans and advances	-	-
Financial assets designated at fair value through profit or loss	13,619	-
Equity instruments	-	-
Debt securities	13,619	-
Loans and advances	-	-
Financial assets at fair value through other comprehensive income	318,276	514,318
Equity instruments	13,880	23,560
Debt securities	304,396	490,758
Loans and advances	-	-
Financial assets at amortised cost	2,834,770	2,185,554
Debt securities	514,095	195,424
Loans and advances	2,320,675	1,990,130
Derivatives - Hedge accounting	4,089	822
Total exposure for financial assets	**3,369,702**	**2,884,965**
Loan commitments given	357,725	352,110
Financial guarantees given	71,327	63,824
Other commitments and other guarantees given	16,648	13,060
Total commitments and guarantees given	**445,700**	**428,994**
Total maximum exposure to credit risk	**3,815,402**	**3,313,959**

The maximum exposure to credit risk is determined based on financial assets, as explained below:

- In the case of financial assets recognised in the consolidated statements of financial position, it is considered that the exposure to credit risk is equal to their carrying amount, without considering impairment losses, with the sole exception of trading and hedging derivatives.

- It is considered that the maximum exposure to credit risk for financial guarantees given is the highest amount that the Andbank Group would have to pay if the guarantee were executed, which corresponds to its carrying amount.

- The maximum exposure to credit risk for derivatives is based on their market value and their potential risk. Market value reflects the difference between the original commitments and the mark-to-market value at the date of the financial statements. As indicated in note 3, in accordance with IFRS 9, derivatives are recognised at each reporting date at their fair value. On the other hand, the potential risk is an estimate of the maximum expected rise of the exposure to risk through a derivative marked to market, with a statistical confidence level, as a result of future changes in the valuation prices in the residual term until the maturity of the transaction.

Credit quality of financial assets

As indicated in the accounting policy on impairment, the Andbank Group has different methods to determine expected loan losses.

The gross value of financial assets by category and their credit rating, as indicated in the accounting policies, is as follows:

	31/12/2020	31/12/2019
Rating		
AAA	52,060	146,623
AA+	-	843
AA	60,220	2,596
AA-	40,130	6,241
Aa3	-	-
A+	95,239	95,547
A	92,547	58,763
A-	239,042	159,489
BBB+	196,477	138,247
BBB	102,612	145,856
BBB-	15,108	4,455
BB+	379	-
BB	918	65
BB-	15,209	14,818
B+	2	-
B	-	-
B-	-	26
CCC+	-	-
CCC	-	-
CCC-	-	-
CC	-	-
C	-	-
DDD	-	-
DD	-	-
D	586	42
Not applicable	608	2,222

__Non-past-due risks, past-due but not impaired risks and doubtful or impaired risks__

The following tables provide details, by counterparty and by product, of loans and advances at 31 December 2020 and 2019 classified based on the ageing of the first unpaid maturity, differentiating between non-doubtful and doubtful, together with value adjustments:

31 December 2020		Non-doubtful	
			Not past due or past due <= 30 days
Loans and advances	**1,942,347**	**1,882,112**	**1,874,891**
Central banks	-	-	
General governments	30,617	30,617	30,617
Credit institutions	28	28	28
Other financial corporations	33,674	33,490	33,490
Other non-financial corporations	773,611	732,240	731,959
Of which: small and medium-sized enterprises	704,384	667,413	667,381
Of which: secured by commercial real estate	215,527	187,202	187,202
Households	1,104,417	1,085,737	1,078,797
Of which: secured by residential real estate	622,305	612,600	610,761
Of which: credit for consumption	254,994	247,101	244,696

31 December 2019		Non-doubtful	
			Not past due or past due <= 30 days
Loans and advances	**1,659,714**	**1,991,663**	**1,983,119**
Central banks	-	-	-
General governments	45,287	45,287	45,287
Credit institutions	73	73	73
Other financial corporations	57,988	57,804	57,647
Other non-financial corporations	701,152	672,138	668,150
Of which: small and medium-sized enterprises	644,285	620,235	616,266
Of which: secured by commercial real estate	211,754	197,489	197,489
Households	855,214	837,143	832,744
Of which: secured by residential real estate	424,248	413,010	410,221
Of which: credit for consumption	241,128	235,132	233,550

Thousands of euros

Gross carrying amount / Nominal amount							
	Doubtful						
Past due >30 days <= 90 days		Payment improbable not past due or past due <= 90 days	Past due >90 days <= 180 days	Past due > 180 days <= 1 year	Past due >1 year <=5 years	Past due > 5 years
7,221	**60,235**	**30,623**	**474**	**3,944**	**17,924**	**7,270**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	184	-	5	-	179	-
281	41,371	29,297	73	670	9,644	1,687
32	36,971	29,296	72	670	5,246	1,687
-	28,325	26,529	-	238	1,451	107
6,940	18,680	1,326	396	3,274	8,101	5,583
1,839	9,705	416	199	1,878	2,680	4,532
2,405	7,893	548	177	837	5,280	1,051

Thousands of euros

Gross carrying amount / Nominal amount						
	Doubtful					
Past due >30 days <= 90 days		Payment improbable not past due or past due <= 90 days	Past due >90 days <= 180 days	Past due > 180 days <= 1 year	Past due >1 year <=5 years	Past due > 5 years
8,544	**47,269**	**11,624**	**7,926**	**2,801**	**16,406**	**8,512**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
157	184	-	1	1	182	-
3,988	29,014	10,975	6,240	770	8,336	2,693
3,969	24,050	6,220	6,035	770	8,332	2,693
-	14,265	4,554	1,478	247	7,670	316
4,399	18,071	649	1,685	2,030	7,888	5,819
2,789	11,238	367	1,338	923	3,878	4,732
1,581	5,996	143	337	524	3,905	1,087

31 December 2020		Non-doubtful exposure - Accumulated impairment and provisions
Loans and advances	**(43,829)**	**(28,195)**
Central banks	-	-
General governments	(153)	(153)
Credit institutions	-	-
Other financial corporations	(35)	(9)
Other non-financial corporations	(26,830)	(20,111)
Of which: small and medium-sized enterprises	(26,321)	(19,999)
Of which: secured by commercial real estate	(21,115)	(16,871)
Households	(16,811)	(7,922)
Of which: secured by residential real estate	(8,627)	(4,305)
Of which: credit for consumption	(4,756)	(481)

31 December 2019		Non-doubtful exposure - Accumulated impairment and provisions
Loans and advances	**(48,800)**	**(33,460)**
Central banks	-	-
General governments	(226)	(226)
Credit institutions	-	-
Other financial corporations	(92)	(13)
Other non-financial corporations	(29,855)	(24,127)
Of which: small and medium-sized enterprises	(28,937)	(24,005)
Of which: secured by commercial real estate	(23,474)	(20,899)
Households	(18,628)	(9,094)
Of which: secured by residential real estate	(6,582)	(822)
Of which: credit for consumption	(3,675)	(410)

					Thousands of euros
Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
	Doubtful exposure - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				
	Payment improbable not past due or past due <= 90 days	Past due > 90 days <=180 days	Past due >180 days <=1 year	Past due > 1 year <= 5 years	Past due >5 years
(15,634)	**(4,738)**	**(215)**	**(1,716)**	**(4,792)**	**(4,173)**
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(26)	-	-	(1)	(25)	-
(6,719)	(4,323)	(53)	(412)	(1,090)	(841)
(6,322)	(4,323)	(53)	(412)	(693)	(841)
(4,244)	(3,934)	-	-	(249)	(61)
(8,889)	(415)	(162)	(1,303)	(3,677)	(3,332)
(4,322)	-	(37)	(663)	(975)	(2,647)
(4,275)	(348)	(116)	(563)	(2,562)	(686)

					Thousands of euros
Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
	Doubtful exposure - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				
	Payment improbable not past due or past due <= 90 days	Past due > 90 days <=180 days	Past due >180 days <=1 year	Past due > 1 year <= 5 years	Past due >5 years
(15,340)	**(1,092)**	**(1,524)**	**(1,148)**	**(6,110)**	**(5,466)**
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(79)	-	-	(1)	(78)	-
(5,728)	(893)	(740)	(349)	(2,205)	(1,541)
(4,932)	(306)	(535)	(348)	(2,202)	(1,541)
(2,575)	(537)	(249)	-	(1,609)	(180)
(9,534)	(200)	(784)	(798)	(3,827)	(3,925)
(5,760)	(96)	(569)	(298)	(1,690)	(3,107)
(3,265)	(102)	(209)	(400)	(1,737)	(817)

Impairment losses

Movements during 2020 and 2019 in the provisions recognised in the accompanying consolidated statements of financial position to cover the impairment or reversal of the impairment of the estimated value of loans and advances and debt securities are as follows:

31 December 2020	Opening balance	Increases due to origin and acquisition	Decrease due to disposals
Provisions for financial assets without increase in credit risk since initial recognition (Stage 1)	**(1,566)**	**(1,102)**	**703**
Debt securities	-	-	-
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	-	-	-
Loans and advances	(1,566)	(1,102)	703
Central banks	-	-	-
General governments	(226)	(33)	65
Credit institutions	-	-	-
Other financial corporations	(12)	(25)	-
Non-financial corporations	(534)	(263)	281
Households	(794)	(781)	357
Provisions for debt instruments with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)"	**(31,894)**	**(174)**	**3,220**
Debt securities	-	-	-
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	-	-	-
Loans and advances	(31,894)	(174)	3,220
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	(1)	(2)	5
Non-financial corporations	(23,593)	(43)	3,111
Households	(8,300)	(129)	104
Provisions for credit-impaired debt instruments (Stage 3)	**(15,341)**	**(616)**	**5,007**
Debt securities	-	-	-
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	-	-	-
Loans and advances	(15,341)	(616)	5,007
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	(79)	(30)	-
Non-financial corporations	(5,728)	(111)	3,639
Households	(9,534)	(475)	1,368
Total	**(48,801)**	**(1,892)**	**8,930**

Thousands of euros

Changes due to modification in credit risk (net)	Changes due to modifications without derecognition (net)	Decreases due to adjustments to the value of derecognised write-offs	Other adjustments	Closing balance
427	**-**	**-**	**-**	**(1,538)**
-	**-**	**-**	**-**	**-**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
427	-	-	-	(1,538)
-	-	-	-	-
41	-	-	-	(153)
-	-	-	-	-
28	-	-	-	(9)
(72)	-	-	-	(588)
430	-	-	-	(788)
2,191	**-**	**-**	**-**	**(26,657)**
-	**-**	**-**	**-**	**-**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,191	-	-	-	(26,657)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(2)	-	-	-	-
1,002	-	-	-	(19,523)
1,191	-	-	-	(7,134)
(5,842)	**-**	**1,158**	**-**	**(15,634)**
-	**-**	**-**	**-**	**-**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(5,842)	-	1,158	-	(15,634)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
83	-	-	-	(26)
(4,857)	-	338	-	(6,719)
(1,068)	-	820	-	(8,889)
(3,224)	**-**	**1,158**	**-**	**(43,829)**

31 December 2019	Opening balance	Increases due to origin and acquisition	Decrease due to disposals
Provisions for financial assets without increase in credit risk since initial recognition (Stage 1)	**(2,221)**	**(406)**	**1,113**
Debt securities	-	-	-
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	-	-	-
Loans and advances	(2,221)	(406)	1,113
Central banks	-	-	-
General governments	(218)	(43)	57
Credit institutions	-	-	-
Other financial corporations	(14)	(39)	146
Non-financial corporations	(940)	(192)	327
Households	(1,049)	(132)	583
Provisions for debt instruments with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)"	**(33,045)**	**(72)**	**4,932**
Debt securities	-	-	-
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	-	-	-
Loans and advances	(33,045)	(72)	4,932
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	(5)	-	4
Non-financial corporations	(24,287)	(45)	4,670
Households	(8,753)	(27)	258
Provisions for credit-impaired debt instruments (Stage 3)	**(22,151)**	**(580)**	**3,270**
Debt securities	-	-	-
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	-	-	-
Loans and advances	(22,151)	(580)	3,270
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	(49)	(21)	-
Non-financial corporations	(8,072)	(382)	542
Households	(14,030)	(177)	2,728
Total	**(57,417)**	**(1,058)**	**9,315**

Thousands of euros

Changes due to modification in credit risk (net)	Changes due to modifications without derecognition (net)	Decreases due to adjustments to the value of derecognised write-offs	Other adjustments	Closing balance
540	**(1)**	**-**	**(591)**	**(1,566)**
-	**-**	**-**	**-**	**-**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
540	(1)	-	(591)	(1,566)
-	-	-	-	-
(22)	-	-	-	(226)
-	-	-	-	-
-	-	-	(105)	(12)
333	-	-	(62)	(534)
229	(1)	-	(424)	(794)
1,043	**(4,504)**	**-**	**(248)**	**(31,894)**
-	**-**	**-**	**-**	**-**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,043	(4,504)	-	(248)	(31,894)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(45)	-	-	45	(1)
638	(4,504)	-	(65)	(23,593)
450	-	-	(228)	(8,300)
(443)	**(262)**	**3,634**	**1,191**	**(15,341)**
-	**-**	**-**	**-**	**-**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(443)	(262)	3,634	1,191	(15,341)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	288	(297)	(79)
1,868	(257)	1,667	(1,094)	(5,728)
(2,311)	(5)	1,679	2,582	(9,534)
1,140	**(4,767)**	**3,634**	**352**	**(48,801)**

Risk concentration

Details of the risk concentrations of the different financial instruments, by product and geographical area, at 31 December 2020 and 31 December 2019, are as follows:

31/12/2020	Financial assets held for trading			Financial assets designated at fair value through profit or loss	
Concentration by country	Debt securities	Equity instruments	Derivatives	Debt securities	Equity instruments
Spain	51,782	1	4,485	-	2,454
France	238	-	342	13,619	-
Italy	277	-	-	-	-
Germany	7,248	-	1	-	-
Holland	747	-	3,618	-	-
Andorra	9,795	12	39,801	-	4,979
Rest of Europe	3,763	1,395	12,064	-	-
USA	1,880	3	9,335	-	1,557
Latin America	2,081	516	-	-	-
Other	1,216	107	39,251	-	-
	79,027	**2,034**	**108,897**	**13,619**	**8,990**

31/12/2019	Financial assets held for trading			Financial assets designated at fair value through profit or loss	
Concentration by country	Debt securities	Equity instruments	Derivatives	Debt securities	Equity instruments
Spain	56,082	2	11,528	-	1,515
France	3,113	-	1,070	-	-
Italy	732	-	-	-	-
Germany	5,580	-	-	-	-
Holland	2,313	-	54	-	-
Andorra	7,607	10	640	-	5,518
Rest of Europe	6,380	6,483	11,428	-	-
USA	3,904	4	18,335	-	3,040
Latin America	2,279	738	-	-	-
Other	2,061	114	33,741	-	-
	90,051	**7,351**	**76,796**	**-**	**10,073**

Thousands of euros

	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost			
	Debt securities	Equity instruments	Debt securities	Interbank	Central banks and other demand deposits (interbank)	Gross loans and receivables
-	60,937	3,665	171,535	178,999	831,013	723,950
-	41,839	-	51,309	67,941	104,933	139,132
-	-	-	80,716	-	438	5,312
-	17,510	-	15,370	-	5,348	2,603
-	1,819	-	23,845	-	1,682	128
-	76,707	3,139	-	-	400	640,468
-	21,056	7,012	66,301	-	205,740	261,237
-	54,915	35	88,525	207	62,559	15,125
-	14,868	-	-	11,707	3,231	39,244
-	14,745	29	16,494	163,303	70,107	115,148
-	**304,396**	**13,880**	**514,095**	**422,157**	**1,285,451**	**1,942,347**

Thousands of euros

	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost			
	Debt securities	Equity instruments	Debt securities	Interbank	Central banks and other demand deposits (interbank)	Gross loans and receivables
-	109,196	1,267	30,016	201,638	730,590	457,849
-	38,346	-	10,334	68,839	91,846	102,018
-	-	-	78,512	-	394	2,987
-	22,083	-	10,210	-	1,886	2,319
-	10,589	-	-	-	1,937	4,468
-	73,632	6,617	400	-	4,335	653,186
-	40,848	11,026	19,146	42,635	128,850	247,316
-	180,224	36	46,806	223	37,729	39,942
-	14,668	-	-	2,756	3,208	138,339
-	1,172	4,614	-	63,126	38,901	11,290
-	**490,758**	**23,560**	**195,424**	**379,217**	**1,039,676**	**1,659,714**

Netting of assets and liabilities

The Andbank Group presents on the consolidated statements of financial position the fair value of asset and liability derivatives at gross amount and has not carried out any netting. However, some of the financial derivatives contracted are subject to settlement agreements such as ISDA master agreements or similar agreements. These agreements permit the settlement of contracts deriving from the netting in the event of the counterparty's default, but not in the course of ordinary business, and the Andbank Group does not have the intention to settle these contracts at net amount. The table below shows the value of assets and liabilities recognised on the statement of financial position subject to the agreements described at 31 December 2020, as well as the balances of collateral and other offsetting agreements:

			Thousands of euros
31 December 2020	Carrying amount	Clearing agreements and collateral	Net exposure
Financial assets			
Derivatives	112,987	**(26,661)**	86,326
Loans and advances	408,372	**(37,821)**	370,551
Financial liabilities			
Derivatives	80,567	(57,151)	23,416
Deposits	340,964	(34,769)	306,195

			Thousands of euros
31 December 2019	Carrying amount	Clearing agreements and collateral	Net exposure
Financial assets			
Derivatives	77,618	(24,698)	52,920
Loans and advances	332,581	(6,343)	326,238
Financial liabilities			
Derivatives	58,887	(45,298)	13,589
Deposits	311,524	(70,677)	240,847

▪d. Market risk

Sensitivity analysis

Market risk is understood as the potential loss to which the trading portfolio is exposed due to changes in market conditions, such as asset prices, interest rates, volatility and market liquidity. The measure the Andbank Group uses to manage market risk in its investment portfolio is value at risk (VaR), as a general market standard, together with stress testing of the held-to-maturity portfolio.

VaR is calculated using the historical method. The calculation obtained corresponds to the maximum expected loss over a given time horizon and with a given confidence level. The Andbank Group calculates VaR for a time horizon of one day and with a confidence level of 99%, and the historical period used for the calculation is one year. During 2020 the average VaR calculated for the trading portfolio was Euros 127 thousand, with a maximum of Euros 281 thousand and a minimum of Euros 17 thousand. The average position of the trading portfolio was Euros 140 million. Globally the trading portfolio comprises bonds with good credit ratings and of a very short duration, which determines a very reduced VaR.

The Andbank Group stress tests its investment portfolio to assess the expected loss in extreme situations involving increases in the yield curve or widening of credit spreads. These tests use simulations to predict how the market value of the portfolio assets is likely to change in different scenarios. Seven scenarios are analysed: four are historical (2010 Greek crisis, Lehman Brothers bankruptcy in 2008, 2001 terrorist attacks on the Twin Towers and 1998 Russian debt crisis) and three are hypothetical (decrease of the yield curve, general widening of credit spreads, and decrease of the yield curve correlated with a widening of credit spreads).

The table below shows a summary of the VaR positions from the Andbank Group's trading activity at 31 December 2020 and 2019, as well as during the period (based on a confidence level of 99% and a historical period of one year considered for the calculation):

Thousands of euros

At 31 December 2020	VaR at 31/12/2020	Average VaR for the period	Maximum VaR for the period (*)	Minimum VaR for the period (*)
Interest rate risk	140	106	84	11
Spread risk	49	45	267	4
Variable income risk	7	23	13	13
Diversification effect	(48)	(47)	(83)	(11)
Total	**148**	**127**	**281**	**17**

(*) The maximum and minimum Var observations by risk components correspond to those observed with the total Var.

Thousands of euros

At 31 December 2019	VaR at 31/12/2020	Average VaR for the period	Maximum VaR for the period (*)	Minimum VaR for the period (*)
Interest rate and spread risk	28	253	1,957	13
Currency risk	-	-	-	-
Variable income risk	55	69	50	55
Volatility/matching risk	-	-	-	-
Diversification effect	(21)	(44)	(49)	(11)
Total	**62**	**278**	**1,958**	**57**

(*) The maximum and minimum Var observations by risk components correspond to those observed with the total Var.

Exposure to interest rate risk - Non-trading activity

Interest rate risk is defined as the impact on the market value of the Andbank Group's assets and liabilities resulting from movements in interest rates. The measures the Andbank Group uses to assess this impact are the sensitivity of the net interest margin over a one year period to 25 basis point parallel shifts in the yield curve for the main statement of financial position currencies and the sensitivity of the market value of own funds to 100 basis point parallel shifts in the yield curve.

In the historically low interest rate scenario of recent years, the Andbank Group maintains a positive exposure to shifts in the interest rate curve; i.e. the Andbank Group's financial margin would increase if the interest rate were to rise and decrease if the interest rate were to fall, despite the fact that in the current rate levels this sensitivity is asymmetric and positive sensibility shows a much higher figure than negative sensitivity. The repricing gap of the Andbank Group's interest-rate-sensitive assets and liabilities is positive, i.e., overall, the repricing of assets precedes in time the repricing of liabilities. This position is reflected in the transfer of interbank deposits to very short terms and in the holding of a fixed income investment portfolio mainly invested in bonds with yield pegged to floating interest rates, or fixed income bonds with short and medium-term maturity, although part of the portfolio comprises long-term fixed-interest bonds which enable an additional margin to be generated and increase the duration of the asset on the consolidated statement of financial position. Most of these bonds are financed in the market through fixed rate repos, which enable the duration risk to be hedged. During 2020 interest rate swaps and futures have been contracted to hedge the duration risk of bonds in the medium and long term from the investment portfolio.

The limit on the sensitivity of equity to a 100 basis point parallel shift in the yield curve has been set by the board of directors at 5%. During 2020 the sensitivity of own funds has remained under this limit.

A table showing the position of the Andbank Group's interest rate gap for the non-trading activity is as follows:

Thousands of euros

31 December 2020	Up to one month	From one month to three months	From three months to one year	From one to five years	More than five years	Not sensitive	Total balance
Cash, balances with other central banks and other demand deposits	1,302,133	-	-	-	-	-	1,302,133
Financial assets	39,453	197,972	22,291	377,602	269,059	29,664	936,041
Loans and receivables	665,607	434,020	986,007	111,430	163,783	(40,172)	2,320,675
5.2. Loans and credits to entities	274,262	-	4,769	56,808	85,520	798	422,157
5.3. Credits to customers	391,345	434,020	981,238	54,622	78,263	(40,970)	1,898,518
Derivatives	-	-	-	-	-	108,897	108,897
Hedging derivatives	-	-	-	-	-	4,089	4,089
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	3,243	3,243
Other assets	-	-	-	-	-	551,978	551,978
Total assets	**2,007,193**	**631,992**	**1,008,298**	**489,032**	**432,842**	**657,699**	**5,227,056**
Financial liabilities held for trading	-	-	-	-	-	74,299	74,299
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	669,516	379,696	1,299,742	293,641	139,586	1,706,778	4,488,959
3.1. Deposits in central banks	53,377	-	-	115,370	-	-	168,747
3.2. Deposits in banks	227,375	60,566	-	60,917	88,986	1,736	439,580
3.3. Customer deposits	208,176	306,296	1,233,347	43,598	10,600	1,587,092	3,389,109
3.3.1. Demand	*132,128*	*264,257*	*1,189,155*	-	-	*1,585,541*	*3,171,081*
3.3.2. Term	*76,048*	*42,039*	*44,192*	*43,598*	*10,600*	-	*216,477*
3.3.3. Unpaid interest incurred	-	-	-	-	-	*1,551*	*1,551*
3.3.4. Other financial liabilities	-	-	-	-	-	-	-
Debt securities	180,588	12,834	66,395	73,756	40,000	562	374,135
Other financial liabilities	-	-	-	-	-	117,388	117,388
Hedging derivatives	-	-	-	-	-	6,268	6,268
Liabilities under insurance contracts	(440)	-	-	-	-	120,393	119,953
Other liabilities	-	-	-	-	-	-	-
Total liabilities	**669,076**	**379,696**	**1,299,742**	**293,641**	**139,586**	**1,907,738**	**4,689,479**
Equity	-	-	-	-	34,800	502,777	537,577
Total Liabilities + Equity	**669,076**	**379,696**	**1,299,742**	**293,641**	**174,386**	**2,410,515**	**5,227,056**
Assets	2,007,193	631,992	1,008,298	489,032	432,842	657,699	5,227,056
Liabilities	669,076	379,696	1,299,742	293,641	174,386	2,410,515	5,227,056
IRS - Derivatives	**38,000**	**(19,302)**	**25,213**	**(23,000)**	**(40,515)**	**-**	**(19,604)**
SIMPLE GAP	**1,376,117**	**232,994**	**(266,231)**	**172,391**	**217,941**	**(1,752,816)**	**(19,604)**
ACCUMULATED GAP	**1,376,117**	**1,609,111**	**1,342,880**	**1,515,271**	**1,733,212**	**(19,604)**	**-**

31 December 2019	Up to one month	From one month to three months	From three months to one year	From one to five years	More than five years	Not sensitive	Total balance
							Thousands of euros
Cash, balances with other central banks and other demand deposits	1,017,457	-	41,428	-	-	-	1,058,885
Financial assets	55,961	113,123	81,639	250,127	270,559	45,808	817,217
Loans and receivables	719,951	438,446	757,784	64,962	55,567	(46,580)	1,990,130
5.2. Loans and credits to entities	283,798	51,761	42,821	608	-	229	379,217
5.3. Credits to customers	436,153	386,685	714,963	64,354	55,567	(46,809)	1,610,913
Derivatives	-	-	-	-	-	76,796	76,796
Hedging derivatives	-	-	-	-	-	822	822
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	2,862	2,862
Other assets	-	-	-	-	-	614,671	614,671
Total assets	**1,793,369**	**551,569**	**880,851**	**315,089**	**326,126**	**694,379**	**4,561,383**
Financial liabilities held for trading	-	-	-	-	-	53,663	53,663
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	501,930	383,017	1,217,807	345,791	64,083	1,346,219	3,858,847
3.1. Deposits in central banks	48,532	-	27,874	-	-	1	76,407
3.2. Deposits in banks	223,487	122,495	20,985	-	-	2,995	369,962
3.3. Customer deposits	218,711	260,522	1,085,254	48,330	-	1,223,347	2,836,164
3.3.1. Demand	101,809	203,618	916,279	-	-	1,221,705	2,443,411
3.3.2. Term	116,902	56,904	168,975	48,330	-	-	391,111
3.3.3. Unpaid interest incurred	-	-	-	-	-	1,642	1,642
3.3.4. Other financial liabilities	-	-	-	-	-	-	-
Debt securities	11,200	-	83,694	297,461	64,083	1,622	458,060
Other financial liabilities	-	-	-	-	-	118,254	118,254
Hedging derivatives	-	-	-	-	-	5,224	5,224
Liabilities under insurance contracts	-	-	-	-	-	-	-
Other liabilities	(89)	-	-	-	-	120,635	120,546
Total liabilities	**501,841**	**383,017**	**1,217,807**	**345,791**	**64,083**	**1,525,741**	**4,038,280**
Equity	-	-	-	35,000	-	488,103	523,103
Total Liabilities + Equity	**501,841**	**383,017**	**1,217,807**	**380,791**	**64,083**	**2,013,844**	**4,561,383**
Assets	1,793,369	551,569	880,851	315,089	326,126	694,379	4,561,383
Liabilities	501,841	383,017	1,217,807	380,791	64,083	2,013,844	4,561,383
IRS - Derivatives	**-**	**(23,152)**	**(515)**	**38,000**	**515**	**-**	**14,848**
SIMPLE GAP	**1,291,528**	**145,400**	**(337,471)**	**(27,702)**	**262,558**	**(1,319,465)**	**14,848**
ACCUMULATED GAP	**1,291,528**	**1,436,928**	**1,099,457**	**1,071,755**	**1,334,313**	**14,848**	**-**

Sensitivity analysis

An analysis of the Andbank Group's sensitivity to fluctuations in the market interest rate in a time horizon of one year is as follows:

				Thousands of euros
	Impact on net interest margin		**Impact on economic value**	
31 December 2020	Increase of 25 basis points	Decrease of 25 basis points	Increase of 100 basis points	Decrease of 100 basis points
Average for the period	12.34%	-12.12%	-3.17%	2.35%
Maximum for the period	14.66%	-9.87%	-2.22%	4.14%
Minimum for the period	10.41%	-15.04%	-4.58%	0.57%

				Thousands of euros
	Impact on net interest margin		**Impact on economic value**	
31 December 2019	Increase of 25 basis points	Decrease of 25 basis points	Increase of 100 basis points	Decrease of 100 basis points
Average for the period	12.10%	-11.95%	-0.32%	0.00%
Maximum for the period	13.66%	-9.52%	2.36%	3.18%
Minimum for the period	9.52%	-13.35%	-3.05%	-2.36%

Exposure to currency risk

Currency risk is defined as the risk that movements in exchange rates will have an impact on the market value of the Andbank Group's assets and liabilities denominated in currencies other than the Euro, with the positive positions being long positions and the negative positions being short positions. Spot and forward currency transactions are monitored on a daily basis to ensure that the open position in foreign currency is kept within the authorised limits. The main net positions for currencies with the equivalent value in Euros, are as follows:

		Thousands of euros
Foreign currency exposure	**2020**	**2019**
USD	1,912	(2,104)
GBP	(50)	(427)
CHF	(150)	3,705
JPY	-	(42)

▪e. Liquidity risk

Liquidity risk is defined as the risk that the Andbank Group is unable to meet its payment obligations in the short term, whether arising from, among others, the maturing of deposits, the drawdown of committed credit facilities or guarantees on collateralised transactions.

The Asset and Liability Committee manages liquidity risk ensuring at all times that there is sufficient liquidity to meet liability settlements, whilst keeping a liquidity retainer to be able to take advantage of asset investment opportunities.

In order to correctly manage liquidity the consolidated statements of financial position are analysed for contractual maturities. The Bank has IT tools to correctly distribute maturities of asset and liability items over time, in such a way that future collection and payment flows can be analysed and possible gaps assessed.

Most of the funds come from customer deposits, although the interbank market is also a relevant source of funding, mainly through repo transactions.

On a daily basis the financial risk management department controls the liquidity available at different day ends, verifying that they remain above the minimum liquidity level established. During 2020 this minimum level currently stands at Euros 300 million in a day and Euros 500 million in cash and highly liquid positions available within one year. This control includes daily monitoring of positions to be financed through repo and of the liquid portfolio. The Andbank Group has complied with these limits throughout the year.

In order to comply with international standards, the Andbank Group calculates and monitors the liquidity coverage ratio (LCR). This ratio is defined by the Basel Banking Supervision Committee and links highly liquid and available assets with net cash inflows less outflows in the following 30 days. The Andbank Group has a LCR of 190% at 2020 reporting date, fully complying with the limit imposed by legislation (100%).

Andbank Andorra calculates from the month of March and on a quarterly basis the long-term LCR based on the short-term LCR. This ratio is also described by the Basel Banking Supervision Committee which defines it as the amount of available stable funding for the Entity relative to the amount of required stable funding with a time horizon of one year. The level of this ratio at the 2020 reporting date is 151%, fully complying with the limit imposed by legislation (100%).

Since the start of the international financial crisis the Andbank Group has prepared a liquidity contingency plan, which is updated monthly. This plan includes an assessment of contingent liquidity, assuming different levels of conversion of liquid assets into cash and available funding sources, taking the cost at which the liquidity could be generated into account. The assets that can be converted into cash and the manageable sources of liquidity are ranked, so as to give priority to the use of liquidity sources that have a low impact on the income statement, while postponing the use of liquidity sources that have a high negative impact on the income statement. In addition, potential outflows of liquidity, whether resulting from customer activity or activity in the financial markets, are identified and classified as either probable or improbable, based on likelihood of occurrence. Finally, the liquidity that could be generated is compared with the potential outflows to check that the surplus is above the approved minimum level of liquidity.

Analysis of maturity dates for financial assets and financial liabilities

The following tables shows the classification of the Andbank Group's main asset and liability accounts at 31 December 2020 and 2019 by contractual maturity or, where applicable by expected realisation or settlement terms:

Thousands of euros

31 December 2020	Up to one month	From one month to three months	From three months to one year	From one to five years	More than five years	Not sensitive	Total balance
Cash, balances with other central banks and other demand deposits	1,133,642	644	28,706	14,106	115,366	9,669	1,302,133
Financial assets	22,467	14,724	12,793	448,795	407,598	29,664	936,041
Loans and receivables	352,926	75,557	450,134	824,444	657,786	(40,172)	2,320,675
Loans and credits to entities	274,262	-	4,769	56,808	85,520	798	422,157
Credits to customers	78,664	75,557	445,365	767,636	572,266	(40,970)	1,898,518
Derivatives	-	-	-	-	-	108,897	108,897
Hedging derivatives	-	-	-	-	-	4,089	4,089
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	3,243	3,243
Other assets	-	-	-	-	-	551,978	551,978
Total assets	**1,509,035**	**90,925**	**491,633**	**1,287,345**	**1,180,750**	**667,368**	**5,227,056**
Financial liabilities held for trading	-	-	-	-	-	74,299	74,299
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	797,002	217,966	263,244	814,846	1,652,347	743,554	4,488,959
Deposits in central banks	53,377	-	-	115,370	-	-	168,747
Deposits in banks	88,478	81,043	(67,743)	86,793	237,524	13,485	439,580
Customer deposits	652,983	119,747	264,592	403,928	1,335,740	612,119	3,389,109
Demand	*572,593*	*89,695*	*213,607*	*359,478*	*1,325,140*	*610,568*	*3,171,081*
Term	*80,390*	*30,052*	*50,985*	*44,450*	*10,600*	-	*216,477*
Unpaid interest incurred	-	-	-	-	-	*1,551*	*1,551*
Other financial liabilities	-	-	-	-	-	-	-
Debt securities	2,164	17,176	66,395	208,755	79,083	562	374,135
Other financial liabilities	-	-	-	-	-	117,388	117,388
Hedging derivatives	-	-	-	-	-	6,268	6,268
Liabilities under insurance contracts	-	-	-	-	-	-	-
Other liabilities	(440)	-	-	-	-	120,393	119,953
Total liabilities	**796,562**	**217,966**	**263,244**	**814,846**	**1,652,347**	**944,514**	**4,689,479**
Equity	-	-	-	-	34,800	502,777	537,577
Total Liabilities + Equity	**796,562**	**217,966**	**263,244**	**814,846**	**1,687,147**	**1,447,291**	**5,227,056**
SIMPLE GAP	**712,473**	**(127,041)**	**228,389**	**472,499**	**(506,397)**	**(779,923)**	**-**
ACCUMULATED GAP	**712,473**	**585,432**	**813,821**	**1,286,320**	**779,923**	**-**	**-**

Thousands of euros

31 December 2019	Up to one month	From one month to three months	From three months to one year	From one to five years	More than five years	Not sensitive	Total balance
Cash, balances with other central banks and other demand deposits	806,651	4,521	52,380	57,320	128,344	9,669	1,058,885
Financial assets	3,626	12,241	26,903	319,232	409,406	45,809	817,217
Loans and receivables	262,460	84,112	400,066	733,589	556,477	(46,574)	1,990,130
Loans and credits to entities	179,550	-	42,821	62,876	93,741	229	379,217
Credits to customers	82,910	84,112	357,245	670,713	462,736	(46,803)	1,610,913
Derivatives	-	-	-	-	-	76,796	76,796
Hedging derivatives	-	-	-	-	-	822	822
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	2,862	2,862
Other assets	-	-	-	-	-	614,671	614,671
Total assets	**1,072,737**	**100,874**	**479,349**	**1,110,141**	**1,094,227**	**704,055**	**4,561,383**
Financial liabilities held for trading	-	-	-	-	-	53,663	53,663
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	655,395	126,016	440,565	691,288	1,350,608	594,975	3,858,847
Deposits in central banks	48,532	-	27,874	-	-	1	76,407
Deposits in banks	37,561	-	-	78,941	250,466	2,995	369,963
Customer deposits	558,102	126,016	328,997	329,886	1,021,059	472,103	2,836,163
Demand	*441,200*	*69,112*	*164,590*	*276,988*	*1,021,059*	*470,461*	*2,443,410*
Term	*116,902*	*56,904*	*164,407*	*52,898*	-	-	*391,111*
Unpaid interest incurred	-	-	-	-	-	*1,642*	*1,642*
Other financial liabilities	-	-	-	-	-	-	-
Debt securities	11,200	-	83,694	282,461	79,083	1,622	458,060
Other financial liabilities	-	-	-	-	-	118,254	118,254
Hedging derivatives	-	-	-	-	-	5,224	5,224
Liabilities under insurance contracts	-	-	-	-	-	-	-
Other liabilities	(89)	-	-	-	-	120,635	120,546
Total liabilities	**655,306**	**126,016**	**440,565**	**691,288**	**1,350,608**	**774,497**	**4,038,280**
Equity	-	-	-	-	35,000	488,103	523,103
Total Liabilities + Equity	**655,306**	**126,016**	**440,565**	**691,288**	**1,385,608**	**1,262,600**	**4,561,383**
SIMPLE GAP	**417,431**	**(25,142)**	**38,784**	**418,853**	**(291,381)**	**(558,545)**	**-**
ACCUMULATED GAP	**417,431**	**392,289**	**431,073**	**849,926**	**558,545**	**-**	**-**

Those assets which at 31 December 2020 and 2019 are committed (provided as collateral or guarantee with regard to certain liabilities) and those which are free of charges, are shown as follows:

				Thousands of euros
At 31 December 2020	Carrying amount of committed assets	Market value of committed assets	Carrying amount of non-committed assets	Market value of non-committed assets
Equity instruments	-	-	24,904	24,904
Debt securities	434,232	442,972	476,905	472,362
Loans and advances	-	-	-	-

				Thousands of euros
At 31 December 2019	Carrying amount of committed assets	Market value of committed assets	Carrying amount of non-committed assets	Market value of non-committed assets
Equity instruments	-	-	40,984	40,984
Debt securities	241,781	245,558	534,452	521,794
Loans and advances	-	-	-	-

At 31 December 2020 and 2019 collateral received mainly for the temporary acquisition of assets or securities loaned, the majority of which could be committed, for the purpose of obtaining financing, are shown as follows:

			Thousands of euros
At 31 December 2020	Fair value of committed guarantees received or own shares issued	Fair value of guarantees received or own shares issued available for commitment	Fair value of guarantees received or own shares issued not available for commitment
Guarantees received			
Equity instruments	-	-	-
Debt securities	452,428	134,308	318,120
Loans and advances	-	-	-

			Thousands of euros
At 31 December 2019	Fair value of committed guarantees received or own shares issued	Fair value of guarantees received or own shares issued available for commitment	Fair value of guarantees received or own shares issued not available for commitment
Guarantees received			
Equity instruments	-	-	-
Debt securities	352,084	107,792	244,292
Loans and advances	-	-	-

Guarantees received in the form of the temporary acquisition of assets or securities loaned are committed through their use in transactions for the assignment of assets under repurchase agreements, in the same way as for debt securities.

f. Operational risk

i. Definition and risk management

In accordance with Law 35/2018 on solvency, liquidity and prudential supervision of banking entities and investment firms, the Andbank Group defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events" ; a concept that aligns with the guidelines of the Basel Committee with regard to operational risk.

The operational risk is inherent to all the activities, products, systems and processes and its origins are diverse (processes, internal and external fraud, technology, human resources, commercial practices, disasters, providers). Consequently the Andbank Group considers it important to ensure that operational risk management is integrated into the Bank's global risk management structure and that the risk is managed actively.

The Andbank Group's main objective in relation to operational risk is to identify, evaluate, control and monitor all the events which imply a risk focus, with or without economic loss, for the purpose of adopting the best measures for its mitigation.

The main aim of the Operational Risk Department is to develop an advanced framework to manage operational risk, thus contributing to reducing the level of future exposure and the losses affecting the income statement. Its main responsibilities are:

- To promote and develop an operational risk culture throughout the Andbank Group, involving all business functions in management and control of operational risk.
- To design and implement a framework to manage and control operational risk, guaranteeing that all events subject to generating operational risk are identified and duly managed.
- To oversee the correct design, maintenance and implementation of legislation regarding operational risk.
- To monitor the operational risk limits set, ensuring that the risk profile remains within the Bank's risk appetite level.
- To supervise the management and control of operational risk in the different business and support areas.
- To ensure that senior management and the board of directors receive a global overview of all the relevant risks, ensuring that the operational risk profile is reported.

ii. Structure and organisation

The areas and departments are responsible for the day-to-day management of operational risk in their respective fields. This entails identifying, assessing, managing and controlling operational risks from their activity, and informing, in collaboration with the Operational Risk department, on the implementation of the management model.

The Operational Risk department forms part of the Risks department, dependant on General management. Operational risk is globally monitored and supervised by maintaining the independence required by the Basel Banking Supervision Committee, the responsibilities of which include the control and supervision of operational risk.

The Operational Risk department is responsible not only for defining, standardising and implementing the management model but also measuring and controlling operational risk. It also provides support to areas and departments and compiles information on operational risks from the whole area to report to senior management and the risk management committees/commissions involved.

The Bank's operational risk management framework is based on an independent model of three lines of defence, in which the areas and departments are responsible for the first line of control, the Operating Risk department is the second line and Internal Audit acts as an independent third line of defence.

iii. Management levers

The methodology implemented via Operational Risk management levers and the tools and procedures for measuring, monitoring and mitigation form part of the key management levers for identifying, measuring and assessing operational risk.

The tools for identifying and measuring operational risks provide an overview of the losses materialising and enable a self-assessment to be made of risks and controls which will serve to focus on pre-emptive management and mitigation of operational risks. All of the processes involving self-assessment of risks, enriching of the database of losses, managing KRI, establishing weaknesses and action plans, etc. are carried out using workflows that are managed and controlled by the Operational Risk department, in conjunction with those individuals from other departments responsible for monitoring tasks.

The main tools used to manage operational risk within the Andbank Group are:

- A database of events, enabling all events with operational risk within all of the Andbank Group's subsidiaries to be captured and registered. The most relevant events of each subsidiary and of the Andbank Group are specifically reviewed and documented.

- A risks and controls map enabling all the risks from the Bank's day-to-day operations to be identified, as well as the persons in charge and controls. The objective is to define mitigation measures and action plans to reduce risk exposure.

- The annual Risk & Control Self-Assessment (RCSA), consisting of an assessment of the processes, enables critical points and the level of risk management quality to be identified in order for it to be improved and strengthened.

- Key risk indicators (KRIs) enable proactive management of the risk, evaluating the level of operational control through analysis and monitoring of its performance.

iv. Calculation of eligible equity requirements

In order to calculate the eligible equity requirements for operational risk the Andbank Group uses the basic indicator method. In accordance with this method the eligible equity requirements are determined based on 15% of the average of the relevant indicator from the last three years, following the indications of article 202 of the Regulation enacting Law 35/2018. At 31 December 2020 the operational risk equity requirement, calculated using the basic indicator method, amounts to Euros 358,779 thousand.

▪g. Regulatory compliance risk

Compliance with prevailing legislation regulating the banking activity and the rendering of financial services is an essential objective for Andbank. The Bank has adopted a series of measures to manage regulatory compliance and reputational risks. Regulatory compliance risk is understood to be the possibility of material or reputational sanctions or financial losses as a result of non-compliance with prevailing legislation and/or the Andbank Group's own internal procedures. Therefore, the regulatory compliance risk is closely linked to reputational risk, which implies that the Andbank Group is negatively perceived by public opinion or interest groups (customers, counterparties, employees, regulators) due to failures by the Bank during the course of its activity.

Andbank considers that its public image is its best asset when retaining the trust of customers, regulators, shareholders and investors.

Andbank has a regulatory compliance function in line with its strategic objectives, which carries out its activities separately from the business areas and is formed of professionals specialised in each jurisdiction in which the Andbank Group operates. The Bank dedicates a significant amount of resources to continuously improve its human capital and the available technical resources, which enable the development of a permanently-updated risk control and management model compliant with legislation

Taking into consideration the aforementioned objectives, a series of global policies have been designed, approved by the board of directors. These policies are regularly reviewed to bring them into line with Andbank's activity. The global policies are applicable for the whole Andbank Group, as are a series of internal controls for managing legislative and reputational risk.

Likewise, the Bank has a Regulatory Compliance and Ethics Committee, the main aim of which is to oversee and supervise the adequacy and sufficiency of the regulatory compliance model for the whole of the Andbank Group.

The main pillars on which Andbank has instrumented the management of regulatory compliance risk and reputational risk are as follows:

Ethical and conduct rules

Andbank adopts measures to promote ethical conduct by all of the Andbank Group's employees. For this purpose, Andbank understands that the customer is its key element and that no business can be admitted if it generates reputational risk.

The Bank has an Ethical Code stipulating the strict standards of conduct with which all employees, directors and administrators must comply and binding them to a responsible conduct when carrying out their duties. Employees avail of a secure channel to resolve any queries or report activities which could breach the Bank's standards of conduct.

Prevention of money laundering and terrorism financing

Andbank undertakes to actively combat money laundering, financing of terrorism and other financial crimes. The effective implementation of procedures and rules based on the "Know your customer" (KYC) rules are fundamental for the Andbank Group.

KYC implies the entity having in-depth knowledge of both the individuals and entities with which it operates (whether it be a simple transaction or a long-standing commercial relationship) or to which it offers services, as well as knowing who are the final beneficiaries and related parties. KYC is an ongoing process which starts with acceptance of the customer and lasts during the whole business relationship. Likewise, a similar procedure, called KYE (Know Your Employee), is applied when hiring new employees.

In the framework of private banking the Bank has a global money laundering model based on EU directives. This model includes necessary adaptations to the particularities of the business of each subsidiary and to local legislation and is constantly being changed to bring it into line with legislative amendments.

For this purpose, Andbank applies a series of reinforced measures when carrying out and monitoring customer transactions. On the basis of information provided by customers and the information obtained by the Bank, all customers are classified in view of their potential risk in accordance with international standards (such as country of origin, residence or professional activity).

Andbank supports new technologies and has cutting-edge technical resources to detect suspicious patterns of behaviour and operations related to money laundering or the financing of terrorism.

The regulatory compliance function is focused on carrying out an independent review to provide sufficient guarantees when contracting new customers. This process is not just limited to accepting customers, it is also vital to perform ongoing monitoring to guarantee adequate knowledge of our customers at all times and therefore be able to detect transactions which could breach prevailing legislation.

For the purpose of standardisation and increasing efficiency with regard to the control over potential compliance risks, the function has prepared a procedures manual containing the activities through which risks are managed. This manual is updated in accordance with local regulations and international standards.

In order to reinforce good governance in this field, critical for any financial institution, Andbank has set up various committees in which senior management participates and in which the contracting of especially relevant customers is reviewed. A follow up is also carried out of the measures taken by the regulatory compliance function, making as many decisions as considered necessary for the aforementioned purposes.

Investor protection

The Andbank Group's commitment to its customers has two fundamental dimensions: the creation of long-term value and maximum information transparency. For this purpose, in order to guarantee that requirements stipulated by different legislations are met, the Andbank Group has global policies and procedures in place which are in line with each jurisdiction in which it operates.

The model established by Andbank to mitigate risks of legislative and reputational compliance takes into consideration the following:

- An organisational structure focused on risk management.
- Allocation of functions and responsibilities within the organisation.
- Transparent policies and procedures available to customers.
- Reinforcement of rules of conduct to increase investor protection.
- A procedure of distributing financial products based on classification of services, type of customer and products offered.
- Ongoing review of the control model to bring it into line with changes originating from new regulations.

In this regard, the Andbank Group ensures that the following is achieved:

- Financial services in line with customer requirements.
- A transparent bilateral relationship with rights and obligations for both parties.
- Fair resolution of customer complaints.

Law 8/2013 of 9 May 2013 on organisational requirements and operating conditions of the operating entities of the financial system, investor protection, market abuse and financial collateral arrangements was amended through Law 17/2019 of 15 February 2019 and the Regulation developing Law 8/2013. Both these texts arise from the transposition of the MiFID regulatory framework and Andorran legislation.

CRS (Common Reporting Standard)

CRS is a system for the automatic exchange of information in tax matters between countries, which enables taxation authorities of the adhered countries to obtain, on an annual basis, tax information relating to investments or positions of its tax residents in financial institutions located abroad (outside the country where they are resident for tax purposes).

The Principality of Andorra approved Law 9/2016 of 30 November 2016 on the automatic exchange of information in tax matters, which sets out the principles established by the OECD for Common Reporting Standards (CRS), included in the Convention on Mutual Administrative Assistance (CMAA) in Tax Matters, in relation to the automatic exchange between competent authorities in member countries on certain information in tax matters. The Law was published on the website of the Official Gazette of the Principality of Andorra (BOPA) (www.bopa.ad).

This Law stipulates that financial institutions are legally under the obligation to report to their respective competent authorities (in the case of the Principality of Andorra, reporting is made to the Department of Taxes and Borders) certain personal and tax information regarding the accounts of non-resident customers.

Knowledge management and training

One of the Andbank Group's priorities in this area is the implementation of training, to ensure that all employees are aware of the requirements arising from applicable laws and regulations and of the procedures implemented.

Every year the Andbank Group defines the training plans required in all jurisdictions, which are given by the Andbank Group or external providers either in situ or via the online channel. Transmitting a culture of compliance to the whole of the organisation is essential for the adequate management of regulatory compliance risk.

As part of these annual programme's courses are given on taxation, money laundering and financing of terrorism and investor protection. The subject matter and complexity of these courses are adapted to the activities carried out by course recipients.

Incidents and complaints

Andbank gives priority at all times to its customers and therefore, it never fails to consider or deal with their opinions or possible complaints. The Quality Department channels all complaints that customers submit to the Andbank Group through the various communication channels available. This department's aim is to quickly resolve any incidents and push forward any necessary changes in policies and procedures to mitigate the risk of these incidents happening again.

39. Fair value of financial instruments

▪a. Measurement models and framework

Financial instruments, the carrying amount of which coincides with their fair value, have been measured in accordance with one of the following methodologies:

- Level 1: the fair value has been determined taking quoted prices in active markets, without making any adjustment to these prices.

- Level 2: the fair value has been estimated based on quoted prices in active markets for similar instruments or by using valuation techniques in which all significant inputs are based on directly or indirectly observable market data.

- Level 3: the fair value has been estimated using valuation techniques in which a certain significant input is not based on observable market data. An input is considered significant when it is important in determining the fair value as a whole.

▪b. Recognised assets and liabilities measured at fair value (fair value hierarchy)

A classification of assets and liabilities measured at fair value in the accompanying consolidated statements of financial position, broken down based on the valuation method used to estimate their fair value, is as follows:

			Thousands of euros
31 December 2020	Level 1	Level 2	Level 3
Financial assets held for trading	**68,483**	**121,475**	**-**
Derivatives	-	108,897	-
Equity instruments	1,912	122	-
Debt securities	66,571	12,456	-
Non-trading financial assets mandatorily at fair value through profit or loss	**2,437**	**6,552**	**-**
Equity instruments	2,437	6,552	-
Financial assets designated at fair value through profit or loss	**-**	**13,619**	**-**
Debt securities	-	13,619	-
Financial assets at fair value through other comprehensive income	**218,700**	**99,576**	**-**
Equity instruments	10,656	3,224	-
Debt securities	208,044	96,352	-
Derivatives - Hedge accounting	**-**	**4,089**	**-**
Financial assets not measured at fair value	**417,730**	**96,365**	**-**
Equity instruments	-	-	-
Debt securities	417,730	96,365	-
Financial liabilities held for trading	**-**	**74,299**	**-**
Derivatives	-	74,299	-
Derivatives - Hedge accounting	**-**	**6,268**	**-**

Thousands of euros			
31 December 2019	Level 1	Level 2	Level 3
Financial assets held for trading	**89,790**	**84,408**	**-**
Derivatives	-	76,796	-
Equity instruments	7,222	129	-
Debt securities	82,568	7,483	-
Non-trading financial assets mandatorily at fair value through profit or loss	**1,582**	**8,491**	**-**
Equity instruments	1,582	8,491	-
Financial assets designated at fair value through profit or loss	**-**	**-**	**-**
Debt securities	-	-	-
Financial assets at fair value through other comprehensive income	**393,680**	**120,638**	**-**
Equity instruments	12,843	10,717	-
Debt securities	380,837	109,921	-
Derivatives - Hedge accounting	**-**	**822**	
Financial assets not measured at fair value	**121,346**	**74,078**	**-**
Equity instruments	-	-	-
Debt securities	121,346	74,078	-
Financial liabilities held for trading	**-**	**53,663**	**-**
Derivatives	-	53,663	-
Derivatives - Hedge accounting	**-**	**5,224**	**-**

During 2020 and 2019 no significant movements have arisen between the fair value hierarchy levels.

▪c. Valuation techniques

For the recurrent and non-recurrent fair value measurements classified in Level 2 and Level 3 of the fair value hierarchy, a description, by type of instrument, of the valuation technique/s and inputs used to measure fair value at 31 December 2020 and 2019 is provided below:

Miles de euros				
31 December 2020	Fair value	Valuation techniques	Significant non-observable input	Range of estimates (weighted average) for non-observable input
Level 2 financial instruments				
Derivatives	193,553	Discount Model, Credit Default Model Black-Scholes Futures	Not applicable	-
Equity instruments	9,898	Deal Value	Not applicable	-
Debt securities	122,427	Credit Risk Models, Discount Model, Deal Value, others	Not applicable	-

31 December 2019	Fair value	Valuation techniques	Significant non-observable input	Miles de euros Range of estimates (weighted average) for non-observable input
Level 2 financial instruments				
Derivatives	136,505	Discount Model, Credit Default Model Black-Scholes Futures	Not applicable	-
Equity instruments	23,249	Deal Value	Not applicable	-
Debt securities	117,404	Credit Risk Models, Discount Model, Deal Value, others	Not applicable	-

▪d. Financial instruments not measured at fair value

The table below shows the fair value of financial instruments which are not measured at fair value in the statements of financial position and are measured by fair value hierarchy level for 2020 and 2019:

Financial assets at amortised cost	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31/12/2020	425,000	95,220	-	520,220	514,095
31/12/2019	124,353	64,777	-	189,130	195,424

40. Events after the reporting period

On 22 December 2020 the AFA granted prior authorisation with no opposition so that ANDBANK ESPAÑA, S.A.U could directly acquire 100% of BANK DEGROOF and indirectly 100% of DEGROOF PETERCAM SGIIC, S.A. and DEGROOF PETERCAM CORPORATE FINANCE SPAIN, S.A.U. The latter two companies are wholly-owned by BANK DEGROOF. This transaction was subject the following regulatory procedures in Spain: i) declaration of non- opposition from the Banco de España and declaration of non-opposition from the European Central Bank received on 11 February 2021; ii) declaration of non-opposition from the Spanish National Securities Commission received on 19 January 2021; iii) prior authorisation from the Council of Ministers (regarding foreign investment, in accordance with the recent amendment of article 7 bis of Law 19/2003 on the legal regime of movement in capital and economic transactions abroad, amended by Royal Decree-Law 11/2020). At 31 December 2020 not all of the aforementioned conditions had been met. The closing price for the transaction stands at Euros 11,479 thousand and involves the inclusion of assets amounting to Euros 125 million and assets under management amounting to Euros 1,300 million on the statement of financial position.

41. Compliance with legislation

Law regulating mandatory investment ratios (Llei de regulació del coeficient d'inversions obligatòries)

In a session held on 30 June 2994 the Principality of Andorra's General Council passed a Law regulating mandatory investment ratios. The Regulations pursuant to this law exclusively concern banking institutions and oblige them to maintain a certain investment ratio of assets in Andorran public funds.

On 31 December 2005 the Government enacted a Decree for public debt issue to which the Andbank Group subscribed in an amount of Euros 59,566 thousand, with maturity on 31 December 2009 and accruing interest at the official one-year rate of the European Central Bank. It was renewed for successive years, amounting currently to Euros 59,566 thousand, falling due on 30 March 2022.

Law regulating deposit guarantee reserves and other operating obligations held and deposited by entities belonging to the financial system (Llei de regulació de reserves en garantia de dipòsit i d'altres obligacions operacionals a mantenir i dipositar per les entitats enquadrades en el sistema financer)

In a session held on 11 May 1995 the Principality of Andorra's General Council, passed a Law regulating deposit guarantee reserves and other operational obligations, which are to be held and deposited by entities operating in the financial system. This law obliges the banks forming part of the Andorran financial system to maintain in their permanent funds various minimum reserves of equity to secure their operational obligations up to a limit of 4% of their total investments, after deducting investments made using equity and banking funds. In accordance with Law 1/2011 of 2 February 2011 for the creation of a deposit guarantee scheme for banks, amounts deposited in the AFA pursuant to the provisions of the Law on deposit guarantee reserves and other operational obligations were released. Accordingly, as a consequence of the agreement reached by the guarantee fund Management Commission on 29 August 2011, pursuant to Law 1/2011 of 2 February 2011, the Bank created a reserve of Euros 25,929 thousand at 31 December 2016 (see note 20). At 31 December 2020 this reserve amounts to Euros 27,026 thousand.

By virtue of Law 20/2018 of 13 September 2018 regulating Andorran deposit guarantee funds and the Andorran investment guarantee system, Law 1/2011 was repealed, except for the fourth transitional provision. This Law sets out the need for an additional buffer of funds for the guarantee fund and the annual contribution, as an ex-ante system, of contributions of an amount equivalent to 0.8% of the deposit guarantees up to 30 June 2024. At the same time the maximum coverage is increased by the investment guarantee system, stipulated by this Law, giving the Fund management committees and Guarantee system the possibility of requesting additional extraordinary contributions from the member entities.

On 23 April 2014 the Andorran Government issued the Regulation governing the programme for adjustments to improve national real estate, enhance energy efficiency of buildings and the use of renewable energy, amended by the revised Regulation dated 11 February 2015. The amount outstanding at 31 December 2020 for operations under this programme is Euros 1,143 thousand (Euros 1,220 thousand at 31 December 2019), recognised under loans and advances to customers in the consolidated statement of financial position.

Law 14/2017 of 22 June 2017 on the prevention and combat against the laundering of money or securities and the financing of terrorism (Llei 14/2017, del 22 de juny, de prevenció i lluita contra el blanqueig de diners o valors i el finançament del terrorisme)

In its session held on 22 June 2017, the Principality of Andorra's General Council approved the Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime. This law was published in the Official Gazette of the Principality of Andorra on 19 July 2017 and entered into force on 20 July 2017.

The implementation of international standards on the prevention of and combat against the laundering of money or securities and the financing of terrorism has become a national priority in Andorra, leading to the adoption of legislative initiatives in recent years and a review of the system for preventing and suppressing these criminal activities order to achieve the most effective framework to combat them.

In this context, the Principality of Andorra is periodically subject to assessments by the European Council, carried out by a committee of experts, to evaluate the measures being taken to combat the laundering of money or securities and against the financing of terrorism (Moneyval). These assessments require an adequate and effective implementation of international standards in this matter, materialising in the new recommendations of the Financial Action Task Force (FATF).

The purpose of this law is to reinforce even further the Principality of Andorra's commitment towards preventing and suppressing money laundering and the financing of terrorism, through an ongoing process of adapting legislation to international standards.

In accordance with this law, the Bank has set up proper and sufficient control and internal communications procedures to protect banking secrecy and prevent and impede operations related to money laundering generated by criminal activities. Specific personnel training programs have been carried out to this effect.

This law was amended by Law 21/2019 that entails transposing the principles of the fourth EU directive in this matter to Andorran legislation. A revised text of this legislation was published via legislative decree on 19 February 2020.

Law on the legal regime governing entities operating in the Andorran financial system and other provisions regulating financial activities in the Principality of Andorra (Llei sobre el règim jurídic de les entitats operatives del sistema financer andorrà i altres disposicions que regulen l'exercici de les activitats financeres al Principat d'Andorra)

In the session held on 9 May 2013 the General Council approved Law 7/2013 on the legal regime governing entities operating in the Andorran financial system and other provisions regulating financial activities in the Principality of Andorra (Llei sobre el règim jurídic de les entitats operatives del sistema financer andorrà i altres disposicions que regulen l'exercici de les activitats financeres al Principat d'Andorra)

The purpose of this law is to unify the legislation governing banks operating in the financial system contained in Laws 24/2008, 13/2010, 14/2010 and the 1996 Law regulating the operational functions of the different components of the financial system into one single text. For this reason, although this Law does not introduce any significant amendments to the existing regulations, it does act to reinforce and restructure the prevailing laws to provide increased legal security to the legislative framework governing the Andorran financial system.

Approval of Law 7/2013 implies repealing the following laws: 1996 Law regulating the operational functions of the different components of the financial system; Law 24/2008 regulating the regime of specialised non-banking credit institutions; Law 13/2010 regulating the legal regime of investment entities and collective investment undertaking management companies; and articles 8 to 17 of Law 14/2010 regulating the legal regime of banking entities and the basic administrative regime of entities operating in the financial system.

Law on organisational requirements and operating conditions of the operating entities of the financial system, investor protection, market abuse and financial collateral arrangements (Llei sobre els requisits organitzatius i les condicions de funcionament de les entitats operatives del sistema financer, la protecció de l'inversor, l'abús de mercat i els acords de garantia financera).

In the session held on 9 May 2013 the General Council approved Law 8/2013 on organisational requirements and operating conditions of the operating entities of the financial system, investor protection, market abuse and financial collateral arrangements (Llei sobre els requisits organitzatius i les condicions de funcionament de les entitats operatives del sistema financer, la protecció de l'inversor, l'abús de mercat i els acords de garantia financera).

The purpose of this law is to maintain a structurally and functionally sound financial system, aiming at clarifying the legal framework regulating the financial system prevailing in Andorra. As a result, the provisions of Law 14/2010 and the prevailing provisions of the Law regulating the Andorran financial system dated 27 November 1993 are unified into a single text which incorporates commitments acquired regarding privileged information and market manipulation and abuse into Andorran legislation with the signing of the Monetary Agreement with the European Union.

This law includes the principles set out in Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004, known as MiFID (Markets in Financial Instruments Directive), relating to the rules regarding ethics and conduct to be complied with by investment entities.

The approval of Law 8/2013 implies the repeal of articles 1 to 7, 18 to 44 and 46 to 55 of Law 14/2010 regulating the legal regime of banking entities and the basic administrative regime of entities operating in the financial system; and the repeal of the Law regulating the Andorran financial system of 27 November 1993.

This law has been amended regularly to include EU standards in accordance with the Monetary Agreement signed by the European Union and Andorra. It therefore included regulation on solvency and market abuse. A revised text of this legislation was published via legislative decree on 19 February 2020.

Law governing the Andorran Financial Authority (Llei de l'Autoritat Financera Andorrana)

At the session held on 23 May 2013 the General Council approved Law 10/2013 regulating the Andorran National Institute of Finance.

The purpose of this law is to provide the supervisor with the necessary resources to meet its objectives whilst, taking into consideration the financial authority's global scope of operations in a context of international expansion of the Andorran financial system, increasing these resources in line with the global growth of financial markets and pursuant to the commitments Andorra has acquired from signing the Monetary Agreement with the European Union.

The approval of Law 10/2013 implies repealing the following laws: Law 14/2003 regulating the Andorran INAF; article 45 of Law 14/2010 regulating the legal regime of banking entities and the basic administrative regime of entities operating in the financial system; and article 22 of the Law regulating the capital adequacy and liquidity criteria of financial institutions of 29 February 1996, amongst other regulations.

This law was amended by Law 12/2018 of 31 May 2018 whereby the name of the financial authority was replaced by that of the Andorran Financial Authority (AFA).

Law governing indirect general taxation (Llei de l'Impost General Indirecte)

In its session held on 21 June 2012 the General Council of the Principality of Andorra approved the Law governing indirect general taxation (IGI) which entered into force on 1 January 2013. This law was subsequently amended by Law 29/2012 of 18 October 2012 and by Law 11/2013 of 23 May 2013, amending Law 11/2012. This general indirect tax is levied on goods delivered, service rendered and imports made by onerous contract in Andorra by business people or professionals usually or occasionally as part of their economic activity, irrespective of the purpose or the results achieved in the economic activity or in each particular transaction, including the condition of importer. The general tax rate is 4.5%, with a reduced rate of 1% and an increased rate of 9.5%, which is only applied to banking and financial services rendered.

The fifth additional provision to Law 11/2012 governing indirect general tax approved by Law 10/2014 of 3 June 2014 amending Law 11/2012, stipulates a special tax regime for the financial sector to which banks and non-banking specialised credit institutions carrying out activities subject to the increased tax rate stipulated in article 60 of the Law have adhered. This regime restricts the deduction of input tax to a maximum amount equivalent to 10% of the output tax at a rate of 9.5% for the rendering of bank and financial services. It is not applicable to real estate property.

The settlement period depends on the annual net turnover for all of the activities carried out by the tax payer in the immediately previous year. Payments can be made half-yearly, quarterly or monthly. Tax payers have to determine the tax debt in each settlement period, reducing the general indirect tax payable during the period by the general indirect tax instalments receivable, which are deductible in nature. The payable to or receivable from the Andorran Government deriving from the declaration of the aforementioned tax is recognised under Loans and receivables or Current payables on the consolidated statements of financial position.

The entry into force of Law 11/2012 of 21 June 2012 governing indirect general tax repeals the Law governing indirect taxation on the rendering of banking and financial services of 14 May 2002.

Law governing non-resident income tax (Llei de l'Impost sobre la Renda de No Residents Fiscals)

In a session held on 29 December 2010 the General Council of the Principality of Andorra approved the Law governing non-resident income tax. This direct tax is levied on income obtained in the Principality of Andorra by individuals or entities which are non-resident for tax purposes.

The net tax payable is calculated by deducting the deduction for double taxation from the taxable income, determined in accordance with the Law governing non-resident income tax.

Pursuant to Law 94/2010 of 29 December 2010 governing non-resident income tax, amended by Law 18/2011 of 1 December 2011, the tax rate applicable in 2018 stands at 10% for general purposes, 1.5% when income derives from reinsurance operations and 5% when income is received in the form of royalties.

Law 8/2015 of 2 April 2015 on urgent measures to implement restructuring and resolving mechanisms in banking entities (Llei 8/2015, del 2 d'abril, de mesures urgents per implantar mecanismes de reestructuració i resolució d'entitats bancàries)

In the session held on 2 April, the Principality of Andorra's General Council approved Law 8/2015 of 2 April 2015 on urgent measures to implement restructuring and resolving mechanisms in banking entities.

This law is the Principality of Andorra's response to certain events suggesting that the financial system is closely interconnected and that any crisis in a financial institution could spread rapidly to other banks and to the global economy. Certain measures have been set up to flexibly respond to various situations related to this systemic risk, including the creation of an Agency for the Resolution of Banking Entities (AREB) as the competent authority in the area of resolution. In addition, an Andorran Fund for the Resolution of Banking Entities (FAREB) has been created for the purpose of backing to the extent possible, the measures agreed when applying the aforementioned law. The FAREB is an entity without legal personality managed by the AREB.

The wording and drafting of this Law have been inspired on the principles of Directive (EU) no 2014/59.

Law 19/2016 of 30 November 2016 on automatic exchange of information in tax matters (Llei 19/2016, del 30 de novembre, d'intercanvi automàtic d'informació en matèria fiscal)

This Law regulates the legal framework required to meet the commitments regarding the automatic exchange both with the European Union and those commitments assumed by virtue of the multilateral agreement of the Council of Europe and the OECD and adapts and incorporates the OECD's Common Reporting Standards (CRS) to the Andorran legal system.

Likewise, Law 11/2005 of 13 June 2005 applying the Agreement between the Principality of Andorra and the European Community in relation to the establishment of measures equivalent to those provided for in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments, was repealed.

Law 35/2018 of 20 December on solvency, liquidity and prudential supervision of banking entities and investment firms (Llei 35/2018, del 20 de desembre, de solvència, liquiditat i supervisió prudencial d'entitats bancàries i empreses d'inversió)

In order to adapt the Andorran legal framework to legislative changes in the European Union, a substantial amendment is required to the prevailing legislation in relation to the following: (i) Supervisory regime, (ii) seed capital requirements, (iii) access to activity, (iv) corporate governance requirements and (v) sanctioning regime.

Therefore, on 20 December 2018 the General Council approved the new Law on solvency, liquidity and prudential supervision which is implemented coherently and clearly and includes all the necessary legislative changes to incorporate community legislation into the Andorran legal framework. This Law comes into force on 24 January 2019 and certain aspects are subject to an adaptation timetable.

Amongst the main differences from a solvency standpoint we can highlight various differentiating capital items based on their capacity to absorb losses; stricter requirements when considering capital instruments as equity items; a significant increase in the total amount of exposure to the different risks to which entities are exposed; a capital buffer regime; self-assessment of the risk for each entity liaising with the Andorran Financial Authority (AFA), as well as the need to make a provision of capital to cover risks not included in the total exposure to the risk identified in the review and supervisory assessment processes; market transparency regarding entities meeting solvency and liquidity requirements and, finally, the AFA obligation to publish information in relation to financial regulation and supervision.

From a liquidity standpoint, the Law represents a significant improvement with regard to refining the calculation of the short-term liquidity ratio, in order to guarantee that sufficient liquid assets or a liquidity buffer are held to fully cover cash outflows less liquidity inflows, in scenarios of tension, over a period of 30 days. The former liquidity regime under the Law regulating capital adequacy and liquidity criteria of financial institutions of 29 February 1996 only stipulated that banking entities had to cover 40% of their short-term commitments with sufficiently liquid assets. The new liquidity regime also stipulates that entities have to calculate and inform the AFA regarding the long-term structural liquidity ratio or stable financing ratio, understood as the ratio between liabilities providing stable financing, such as equity and non-current deposits, and non-current assets which require stable financing. Until progress is made with regard to EU regulation on stable financing, it is not planned that a stable financing limit will be incorporated into the Andorran legal framework.

To conclude, the aim of this Law is none other than to boost the resilience of the Andorran banking and financial sector to ensure that it is better placed with regard to financial crises and to guarantee that banking entities continue to finance economic activity and economic growth with adequate and sufficient own funds.

Law 8/2018 on payment services and electronic money (Llei 8/2018 dels serveis de pagament i el diner electrònic).

In accordance with the Monetary Agreement, Andorra undertook to implement in its legal framework, inter alia, the EU legal provisions relating to Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC.

For the purpose of meeting the aforementioned commitments, at its session held on 17 May 2018 the General Council approved Law 8/2018 of 17 May 2018 on payment services and electronic money. This Law entered into force the day after its publication and its purpose was to include payment entities and electronic money institutions as new entities operating in the Andorran financial system, with their own legal regime and to regulate the rights and obligations of providers and users in relation to the rendering and use of payment services and the issue of electronic money. This law was subsequently amended by Law 27/2018 of 25 October 2018, modifying Law 8/2018 of 17 May 2018.

Lastly, the Government, making use of the capacity set out in the final ninth provision of Law 27/2018 of 25 October 2018, amending Law 8/2018 of 17 May 2018 on payment services and electronic money, enacted Title III of the Law 8/2018 which is drafted in accordance with the amendments of Law 27/2018 of 25 October 2018, amending Law 8/2018 of 17 May 2018 on payment services and electronic money, and rights and obligations in relation to the rendering and use of payments services; and Title IV of Law 8/2018, which is drafted in accordance with the amendments to Law 27/2018 of 25 October 2018 amending Law 8/2018 of 17 May 2018 on payment services and electronic money, authorising payment operations and their execution, both of payment orders and amounts transferred, as well as the execution period and the value date and corresponding responsibility regime.

The purpose of this law is to maintain a structurally and functionally sound financial system, aiming at clarifying the legal framework regulating the financial system prevailing in Andorra. As a result, the provisions of Law 14/2010 and the prevailing provisions of the Law regulating the Andorran financial system dated 27 November 1993 are unified into a single text which incorporates commitments acquired regarding privileged information and market manipulation and abuse into Andorran legislation with the signing of the Monetary Agreement with the European Union.

This law includes the principles set out in Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004, known as MiFID (Markets in Financial Instruments Directive), relating to the rules regarding ethics and conduct to be complied with by investment entities.

Legislation in response to the SARS-CoV-2 pandemic

On 2 April 2020 Law 3/2020 on extraordinary urgent measures due to the emergency health situation caused by the SARS-CoV-2 pandemic was published in the Official Gazette of Andorra, which implements a series of measures aimed at confronting the aforementioned emergency situation.

This law has been enacted and amended by a raft of measures, as follows:

- Decree of 24 March 2020 approving an extraordinary programme of guarantees for companies and businesses due to the emergency health situation caused by the SARS-CoV-2 pandemic, amended by Decree of 30 March 2020.

- Law 5/2020 of 18 April 2020 on new extraordinary urgent measures due to the emergency health situation caused by the SARS-CoV-2 pandemic.

- Decree of 20 May 2020 approving a second extraordinary programme of guarantees for companies and businesses due to the emergency health situation caused by the SARS-CoV-2 pandemic, amended by Decree of 18 November 2020.

- Law 7/2020 on extraordinary urgent measures with regard to procedural and administrative matters, due to the emergency health situation caused by the SARS-CoV-2 pandemic.

- Decree of 9 June 2020 partially declaring the end of the emergency health situation caused by the SARS-CoV-2 pandemic.

- Sector agreement promoted by the ABA on the deferral of financing transactions for customers financially affected by COVID-19 approved on 11 June 2020.

Law 10/2020 on adhesion of the Principality of Andorra to the International Monetary Fund (IMF) (Llei 10/220 d'adhesió del Principat d'Andorra al Fons Monetari Internacional (FMI))

On 10 January 2020 it was agreed that the Principality of Andorra would join the IMF as a new member and a law was enacted that set out the competent powers and authorities in relation to this body. This law will enter into force once the Principality of Andorra has ratified the IMF Articles of Agreement.

Appendix 1			
Company	Registered offices	Activity	% Direct ownership
Caronte 2002, SLU (*)	Andorra	Services	100%
Mon Immobiliari	Andorra	Real estate	100%
Andorra Gestió Agrícol Reig, SAU	Andorra	Fund manager	100%
Andbank (Bahamas) Limited (*)	Bahamas	Bank	100%
Nobilitas, N.V.	Dutch Antilles	Holding	100%
Egregia B.V	Holland	Special purpose vehicle	-
Zumzeiga Cooperatief U.A	Holland	Special purpose vehicle	-
Andorra Assegurances Agrícol Reig, SAU	Andorra	Insurance	100%
AndPrivate Wealth S.A	Switzerland	Wealth management	-
Columbus de México, SA de CV	Mexico	Securities broker	-
Quest Capital Advisers Agente de Valores, SA	Uruguay	Fund manager	-
Andbank Asset Management Luxembourg	Luxembourg	Bank	-
Andbank Luxembourg, SAU	Luxembourg	Bank	100%
Andbank España, SA	Spain	Fund manager	100%
Andbank Wealth Management, SGIIC, SAU	Spain	Investment services	-
Medipatrimonia Invest, SL	Spain	Pension fund manager	-
Merchbanc, E.G.F.P. S.A.	Spain	Shareholder	-
Merchbanc, International, S.A.R.L (Luxembourg)	Luxembourg	Insurance	-
Andbank Correduria de Seguros SL	Spain	Agent. Auxiliary services	-
My Investor, S.L.U.	Spain	Bank	-
Andbank Monaco S.A.M.	Monaco	Insurance	95%
Andbank Corretora de Seguros de Vida, Ltda	Brazil	Wealth management	99.98%
Andbank Gestao de Patrimonio Financeiro, Ltda	Brazil	Bank	99.99%
Banco Andbank (Brazil), S.A	Brazil	Intermediation of securities and discretional portfolio management	100%
Andbank Distribuidora de títulos e Valores Mobiliários, Ltda	Brazil	Holding	-
Sigma Investment House Ltd,	Israel	Portfolio management	90.12%
Sigma Portfolio Management Ltd,	Israel	Portfolio management and advisory services	-
Sigma Premium Ltd,	Israel	Investment fund manager	-
Sigma Mutual Funds	Israel	Investment fund manager	-
Sigma Financial Planning Pensíón Insurance Agency Ltd,	Israel	Services	-
APW Uruguay SA	Uruguay	Services	100%
APC Servicios Administrativos SLU	Spain	Holding	-
Andbanc Wealth Management LLC	USA	Advisory services	-
Andbanc Advisory LLC	USA	Financial services	-
Andbanc Brokerage LLC	USA	Financial services	-
APW Consultores Financeiros, Lda	Brazil	Representation office	100%
AND PB Financial Services, S.A	Uruguay	Special purpose vehicle	100%
Andorra Capital Agrícol Reig BV	Holland	Bank	100%
Quest Wealth Advisers, Inc (Panamà)	Panama	Special purpose vehicle	100%
AB Covered Bond	Ireland	Special purpose vehicle	100%
AB Financial Products, D.A.C.	Ireland	Advisory services	100%
Sigma M, Partners, LTD	Israel	Global Investment Advisory Agent	49.78%
Quest Capital Advisers , S.A. (AAGI)	Argentina	Global Investment Advisory Agent	95.00%

(*) Under liquidation

	2020							
	% Indirect ownership	Audited company	Interim dividend	Equity	Capital	Reserves	Unused prior years' profit (losses)	Profit/(loss)
	-	No	-	113	32	6	76	(1)
	-	No	-	32	30	95	(91)	(2)
	-	Yes	-	3,168	1,000	1,019	-	1,150
	-	No	-	1,117	3,500	58	(2,284)	(157)
	-	Yes	-	38,339	18,344	26,791	(6,739)	(57)
	100%	Yes	-	6,887	1,027	13,770	(7,839)	(71)
	100%	Yes	-	32,831	27,861	(1,896)	6,436	431
	-	Yes	150	3,005	2,404	481	48	223
	100%	Yes	-	3,214	3,710	(19)	(708)	231
	50%	Yes	-	3,605	1,368	(712)	2,046	902
	100%	Yes	-	2,415	12	(143)	1,971	576
	100%	Yes	-	4,055	3,000	304	-	752
	-	Yes	-	43,157	54,100	(178)	(11,468)	703
	-	Yes	-	191,950	75,000	95,787	13,550	7,613
	100%	Yes	-	16,825	1,004	12,616	-	3,206
	51%	Yes	500	935	54	720	-	661
	100%	Yes	-	1,511	601	728	-	182
	100%	No	-	2,160	25	2,211	-	(77)
	100%	Yes	-	312	3	334	-	(25)
	100%	No	-	4,780	2,803	930	-	1,047
	-	Yes	-	27,340	21,000	3,116	2,257	968
	-	Yes	-	143	1	(22)	21	143
	-	Yes	-	332	305	(5)	12	21
	-	Yes	-	36,724	65,965	(16,830)	(11,439)	(973)
	100%	Yes	-	37	172	1	(120)	(16)
	-	Yes	-	2,823	388	7,855	(5,406)	(13)
	100%	Yes	-	4,281	-	6,729	(2,482)	34
	100%	Yes	-	(1,514)	-	784	(2,443)	145
	100%	Yes	-	1,749	177	708	935	(70)
	70%	Yes	-	(1,586)	-	-	(1,632)	46
	-	Yes	-	762	371	(195)	419	167
	100%	Yes	-	3,557	2,069	1,458	-	30
	100%	Yes	-	5,425	18,742	(134)	(13,687)	503
	100%	Yes	-	2,421	1,105	1,024	-	292
	100%	Yes	-	2,359	1,457	146	-	756
	-	Yes	-	832	1,317	473	(1,371)	413
	-	Yes	-	140	355	(241)	(1)	28
	-	Yes	-	845	18	-	587	240
	-	Yes	-	2,710	951	(788)	3,134	(587)
	-	Yes	-	414	-	-	70	344
	-	Yes	-	(284)	1	-	(293)	7
	-	Yes	-	328	506	894	(1,075)	4
	-	Yes	-	221	608	(277)	9	(118)

Appendix 1			
Company	Registered offices	Activity	% Direct ownership
Caronte 2002, SLU (*)	Andorra	Services	100%
Mon Immobiliari	Andorra	Real estate	100%
Andorra Gestió Agrícol Reig, SAU	Andorra	Fund manager	100%
Andbank (Bahamas) Limited (*)	Bahamas	Bank	100%
Nobilitas, N.V.	Dutch Antilles	Holding	100%
Egregia B.V	Holland	Special purpose vehicle	-
Zumzeiga Cooperatief U.A	Holland	Special purpose vehicle	-
Andorra Assegurances Agrícol Reig, SAU	Andorra	Insurance	100%
AndPrivate Wealth S.A	Switzerland	Wealth management	-
Columbus de México, SA de CV	Mexico	Wealth management	-
Quest Capital Advisers Agente de Valores, SA	Uruguay	Securities broker	-
Andbank Asset Management Luxembourg	Luxembourg	Fund manager	-
Andbank Luxemburg	Luxembourg	Bank	100%
Andbank España, SA	Spain	Bank	100%
Andbank Wealth Management, SGIIC, SAU	Spain	Fund manager	-
Medipatrimonia Invest, SL	Spain	Investment services	-
Merchbanc, S.G.I.I.C.S.A.U	Spain	Fund manager	-
Merchbanc, E.G.F.P.S.A.	Spain	Pension fund manager	-
Merchbanc, International, S.A.R.L (Luxemburg)	Luxembourg	Shareholder	-
Andbank Correduria de Seguros SL	Spain	Insurance	-
My Investor, S.L.U.	Spain	Agent, Auxiliary services	-
Andbank Monaco S.A.M.	Monaco	Bank	100%
Andbank Corretora de Seguros de Vida, Ltda	Brazil	Insurance	99.98%
Andbank Gestao de Patrimonio Financeiro, Ltda	Brazil	Wealth management	99.99%
Banco Andbank (Brazil), S.A	Brazil	Bank	100%
Andbank Distribuidora de títulos e Valores Mobiliários, Ltda	Brazil	Intermediation of securities and discretional portfolio management	-
Sigma Investment House Ltd,	Israel	Holding	90.12%
Sigma Portfolio Management Ltd,	Israel	Portfolio management	-
Sigma Premium Ltd,	Israel	Portfolio management and advisory services	-
Sigma Mutual Funds	Israel	Investment fund manager	-
Sigma Financial Planning Pensíón Insurance Agency Ltd,	Israel	Investment fund manager	-
APW Uruguay SA	Uruguay	Services	100%
APC Servicios Administrativos SLU	Spain	Services	-
Andbanc Wealth Management LLC	USA	Holding	-
Andbanc Advisory LLC	USA	Advisory services	-
Andbanc Brokerage LLC	USA	Financial services	-
APW Consultores Financeiros, Lda	Brazil	Financial services	100%
AND PB Financial Services, S.A	Uruguay	Representation office	100%
Andorra Capital Agrícol Reig BV	Holland	Special purpose vehicle	100%
Andbank (Panamá) S.A.	Panama	Bank	100%
AB Systems, SAU	Andorra	Services	100%
AB Covered Bond	Ireland	Special purpose vehicle	100%
AB Financial Products, D.A.C.	Ireland	Special purpose vehicle	100%
Sigma M, Partners, LTD	Israel	Advisory services	49.78%
Quest Capital Advisers , S.A. (AAGI)	Argentina	Global Investment Advisory Agent	95.00%

*Under liquidation

2019							
% Indirect ownership	Audited company	Interim dividend	Equity	Capital	Reserves	Unused prior years' profit (losses)	Profit/(loss)
-	No	-	114	32	6	77	(1)
-	No	-	34	30	95	(108)	18
-	Yes	950	3,759	1,000	1,019	-	1,741
-	No	-	1,303	3,500	58	(1,079)	(1,176)
-	Yes	-	29,052	1,000	26,791	1,482	(221)
100%	Yes	-	15,846	180	13,801	2,025	(160)
100%	Yes	-	22,016	11,710	1,903	8,618	(215)
-	Yes	130	3,070	2,404	481	8	177
100%	Yes	-	2,986	3,710	(2)	(594)	(128)
50%	Yes	-	1,721	580	36	690	416
100%	Yes	-	2,696	13	-	2,048	635
100%	Yes	-	3,739	3,000	311	-	428
-	Yes	-	43,070	54,100	147	(12,606)	1,429
-	Yes	-	184,182	75,000	95,071	8,928	5,183
100%	Yes	-	13,619	1,004	6,854	-	5,762
51%	Yes	331	1,105	54	521	-	531
100%	Yes	493	1,332	200	570	-	561
100%	Yes	-	1,374	601	833	-	(60)
100%	No	-	2,236	25	2,322	(179)	68
100%	Yes	-	337	3	-	114	220
100%	No	-	2,803	2,803	-	-	-
-	Yes	-	27,273	21,000	4,016	1,419	838
-	Yes	-	18	1	(19)	107	(70)
-	Yes	-	110	11	(6)	6	98
-	Yes	-	45,423	61,218	(4,633)	(11,160)	(2)
100%	Yes	-	132	243	1	(50)	(63)
-	Yes	-	7,937	388	7,923	(373)	(0)
100%	Yes	-	4,329	-	6,859	(2,388)	(142)
100%	Yes	-	(1,691)	-	799	(2,390)	(100)
100%	Yes	-	1,854	180	721	587	366
70%	Yes	-	(1,663)	-	-	(1,518)	(145)
-	Yes	-	659	371	(121)	107	302
100%	Yes	-	3,535	2,069	1,440	-	26
100%	Yes	-	(2,099)	11,773	(3)	(15,028)	1,160
100%	Yes	-	2,340	1,211	847	-	281
100%	Yes	-	2,426	2,266	-	(757)	917
-	Yes	-	640	1,322	539	(1,088)	(132)
-	Yes	-	124	162	(6)	(33)	1
-	Yes	-	288	18	-	332	(61)
-	Yes	-	13,051	6,655	(26)	7,085	(662)
-	No	-	53	60	-	(3)	(4)
-	Yes	-	70	-	-	38	32
-	Yes	-	(292)	1	-	(327)	35
-	Yes	-	354	516	911	(1,099)	26
-	Yes	-	177	346	(115)	-	(53)

Appendix 2

ANNUAL REPORT 2020

Law 35/2018 of 20 December 2018 on solvency, liquidity and prudential supervision of banking entities and investment firms (Llei 35/2018, del 20 de desembre, de solvència, liquiditat i supervisió prudencial d'entitats bancàries i empreses d'inversió) was published in the Official Gazette of the Principality of Andorra on 23 January 2019.

In compliance with article 90, entities must publish an annual report attached to the audited financial statements, specifying, for every country in which they operate, the following information on a consolidated basis for each year:

1. Name, nature of activities and geographical location:
2. Turnover;
3. Number of employees on a full-time equivalent basis;
4. Gross profit/loss before tax;
5. Taxes on profit/loss;
6. Public grants received.

The aforementioned information required is as follows:

Name, nature of activities and geographical location

Andorra Banc Agrícol Reig, S.A. (hereinafter "Andbank" or "the Bank") is a limited liability company incorporated in 1930, protected by the law of Andorra, with registered offices in Escaldes-Engordany (Principality of Andorra). The Bank's statutory activity is to carry out banking activities, as defined by the regulations of the Andorran financial system. In addition, it can undertake any activity related to or which complements its statutory activity.

The Bank's registered offices are at Carrer Manuel Cerqueda i Escaler, number 4-6, Escaldes-Engordany, Principality of Andorra.

In addition to the transactions carried out directly, Andbank is the Parent of the Andorra Banc Agrícol Reig Group (hereinafter the Andbank Group), which comprises various companies that operate in each jurisdiction, performing banking and financial services and with special emphasis on private banking services. The Andbank Group mainly carries out its activity in the jurisdictions of Andorra, Spain, Luxembourg, Israel, Switzerland, Monaco, Brazil, USA, Panama, Mexico and Uruguay.

Other information on consolidated basis

This item shows the information on a consolidated basis corresponding to the turnover, number of employees on a full-time equivalent basis, gross profit/loss before tax, taxes on profit/loss, in accordance with points b) to e) of article 90 of Law 35/2018 of 20 December on solvency, liquidity and prudential supervision of banking entities and investment firms (Llei 35/2018, del 20 de desembre, de solvència, liquiditat i supervisió prudencial d'entitats bancàries i empreses d'inversió).

Thousands of euros

	Revenues (*)	Number of employees on a full-time equivalent basis	Gross profit/ (loss) before tax	Income tax
Andorra	85,104	300	16,938	(495)
Spain	71,663	364	15,747	(3,465)
Luxembourg	14,379	59	1,070	(66)
Monaco	14,807	50	1,350	(382)
Brazil	13,018	102	(234)	(539)
Israel	5,199	37	123	22
USA	4,956	18	438	66
Mexico	9,159	76	1,289	(387)
Uruguay	5,124	35	788	(17)
Switzerland	3,804	9	248	(18)
Panama	2,862	24	(587)	-
Other and adjustments	(14,870)	1	(998)	(630)
Total	**215,204**	**1,075**	**36,171**	**(5,912)**

(*) Revenues have been considered as the net results on operating activities, as stated in the income statements

Public grants received

The amount of public grants received is not significant.

Other information

At 31 December 2020 the return on the consolidated Group's assets, calculated by dividing the consolidated profit for the year by total assets, stands at 0.58%.

04 / Global economic and financial market developments

Summary of 2020 and outlook for 2021

Global economic and financial market developments

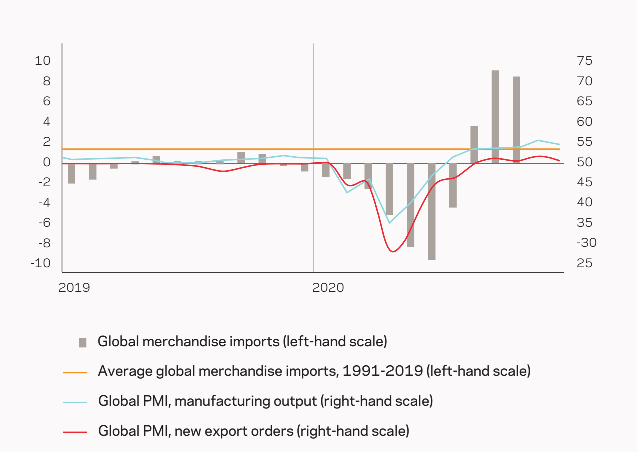
Summary of 2020 and outlook for 2021

External environment and global economic performance in 2020

Although advances in the development of effective coronavirus (COVID-19) vaccines fuelled optimism in financial markets, those advances only started to be put into practice towards the end of 2020, leaving the world's economies under the shadow of the pandemic for much of the year. The steady, significant increase in COVID-19 infections, particularly in the advanced economies, prompted ongoing containment measures. Although the restrictions imposed after the summer were less disruptive to economic activity than those applied during the first wave of the pandemic, world real GDP contracted by a historic 3%, according to the macroeconomic calculations of Eurosystem experts. It should be noted, however, that the global economy revived faster than expected in the third quarter of 2020. As the number of infections decreased and containment measures were lifted, the world economy began to recover strongly. Especially in the advanced economies, the economic recovery was driven primarily by pent-up private consumption, bolstered by generous policy support during the worst of the crisis. In the emerging economies, net external demand also contributed positively, thanks to the improvement in external demand. In China, although private investment remained the main driver of the recovery, private consumption contributed positively to GDP growth for the first time this year. Overall, from the third quarter of 2020 onwards, world real GDP grew faster than the experts' macroeconomic projections had envisaged. This dynamic continued into the fourth quarter, although consumer confidence remained generally weak. In November, the global composite purchasing managers index (PMI) rose once again, to 54.8 (from 54.1 in October), helped along by the improvement in services and manufacturing, suggesting that the economic recovery continued to be broader than expected during the last quarter of the year. It should be pointed out, however, that the trend in the composite PMI was uneven across countries: the index continued to increase in the United States but fell into contractionary territory in the United Kingdom, while in Japan it remained practically unchanged, again in contractionary territory. Among the emerging economies, the index rose again in China, reflecting strong growth in activity, while in India and Brazil it declined, albeit from very high levels, indicating that activity continued to increase. At the same time, although global consumer confidence recovered from the low level recorded in the second quarter of 2020, it remained below pre-crisis levels, suggesting only a moderate recovery in consumption.

World trade contracted even more sharply in 2020 than real GDP, although it too recovered during the second half of the year. The figures for trade in goods in the third quarter of 2020 point to a widespread recovery across various categories. Intermediate goods, in particular, were an important driver of global exports in the July-September period, testifying to the resilience of global value chains. However, the global PMI for new export orders receded in December, indicating a moderation in the pace of growth in world trade towards the end of the year.

Surveys and global trade in goods (excluding the euro area)



Sources: Markit, CPB Netherlands Bureau for Economic Policy Analysis and ECB calculations.

Note: The latest observations are for October 2020 for global merchandise imports and December 2020 for the PMIs.

As regards the performance of financial assets during 2020, global financial conditions continued to adapt throughout the year, especially in the more volatile contexts. The recovery of risky assets that began at the end of March was briefly halted in September due to the spike in COVID-19 cases worldwide, the heightened uncertainty arising from the 3 November US presidential election and the dwindling prospect of a budget deal before the elections.

Subsequently, news of the imminent availability of vaccines triggered a rise in stock prices worldwide, while corporate and sovereign bond spreads fell and investors lost some of their appetite for safe haven assets such as gold and US-dollar-denominated assets, which also led to a widespread depreciation of the dollar. The outcome of the US elections helped to reduce uncertainty and bolster investors' risk appetite. Optimism waned as COVID-19 cases continued to increase and lockdown measures were reintroduced. At present, global financial conditions are very favourable in both advanced and emerging economies, although there is a perception of heavy dependence on financial assets, which continue to be strongly influenced by monetary policy support and so are highly sensitive to any global risk.

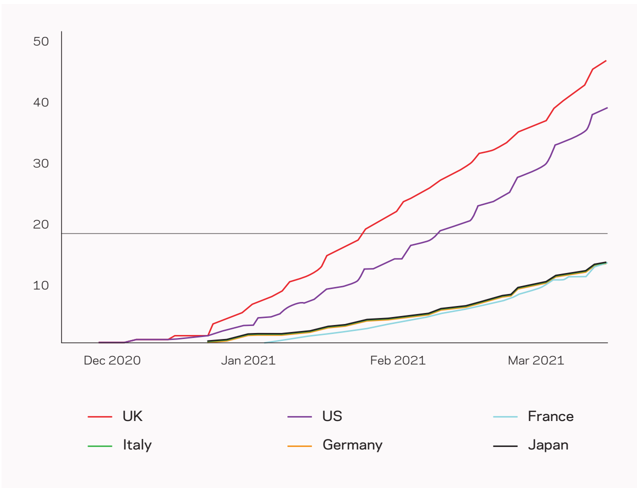
Global outlook for 2021

Looking ahead, the containment measures introduced in response to a possible resurgence of infections are expected to be less disruptive to trade than in previous waves because protocols are more effective, many health systems have increased their capacity to absorb patients and many people have either acquired immunity after becoming infected with COVID-19 or, especially among the more vulnerable groups, have already been vaccinated. The balance of risks to the global outlook is therefore considered less negative after news of the viability of several vaccines, reducing the likelihood of a worst-case scenario.

After contracting 3% in 2020, global real GDP is expected to recover in 2021 and to continue to grow, though more moderately, in 2022 and 2023. Experts from various international bodies predict global growth of between 5.8% and 6.5% in 2021, 3.9% in 2022 and 3.6% in 2023. Moreover, the rebound in foreign trade is expected to be more vigorous than the upturn in GDP, a forecast that mainly reflects the more pro-cyclical nature of trade.

Our projections for the different countries and regions of the world in 2021 are also favourable, most notably perhaps our forecast for real growth in the US, which we set at 6.5%. For the euro area we forecast growth of around 4% (5% for Spain, 4% for Italy, 4.8% for France and 3.5% for Germany). For the United Kingdom, we expect real growth of 5%. Turning to Asia, we believe the fastest-growing economy will be India, with projected growth of 13% (after a fall of 7% in 2020). And for China we estimate growth of between 8% and 10%. In Latin America, Brazil could see growth of 3% (a feeble recovery, after a drop of 4.1% in 2020), whereas in Mexico we expect slightly stronger performance in 2021, with projected growth of 5% (although the fall in real GDP in 2020 was a substantial 8.2%).

Total number of Covid-19 vaccines administered in G7 countries*.



United States

In the United States, the surge in COVID-19 infections and the tapering of some fiscal stimulus measures cast a shadow over the short-term outlook, although the monetary authorities have invariably ended up responding with new and larger aid programmes, pushing real GDP growth to an annualised 33.1% in the third quarter of 2020 (7.4% quarter-on-quarter). This increase was driven by a vigorous recovery in consumption and investment, which in turn was reflected in strong growth of real imports. Despite the exceptionally lively rebound, the level of activity in the United States remained below pre-pandemic levels.

As the numbers of new COVID-19 infections and hospitalisations (during the third wave in November and December) exceeded the previous highs, state administrations continued to impose new restrictions on mobility. The gradual disappearance of the effects of fiscal stimulus measures on household income, without any agreement having been reached on a new stimulus package, was only partly offset by the reversal of savings accumulated in previous quarters.

The unemployment rate remained high in November (6.7%), supported by the decrease in temporary layoffs. Although labour market conditions improved towards the end of 2020, the recovery remained incomplete. The unemployment rate fell against the background of declining temporary layoffs, but the number of new job vacancies remained low throughout much of the year.

In the end, the US economy contracted by 3.5% in 2020. Looking ahead to 2021, we expect a vigorous expansion, possibly even in excess of 6%. The expansion could continue into 2022 at around 4%.

Annual consumer price index (CPI) inflation fell to 1.2% in October, from 1.4% in September, reflecting lower energy prices, while food prices remained unchanged. Underlying inflation declined marginally, to 1.6 %, from 1.7 % in September, as the steady increase in the prices of some of its component goods, especially second-hand cars and trucks, was more than offset by the fall in the rate of change in the prices of basic services, especially medical services.

Looking ahead to 2021, the wave of stimulus measures and the launch of vaccines in the US is prompting investors to anticipate excessive inflation. We note that underlying inflation rates are on track to reach an annual average of around 2.5% and may remain above 2% until the end of 2021. However, this pattern is due largely to so-called "base effects". The sharp falls in some price categories during March and April 2020 will soon disappear from the 12-month window for calculating year-on-year changes. In our view, the uptick will be temporary and should not be taken as a sign of a persistent rise in the inflation rate. At its March meeting, the Federal Open Market Committee (FOMC) of the Federal Reserve projected an unemployment rate of 3.5% and underlying PCE inflation of 2.1% at the end of 2023, but without rate increases. The market took this result as moderate. In response to questions about reducing asset purchases, Powell stressed that the "substantial further progress" the FOMC wants to see before any reduction is "actual progress, not forecast progress" and reiterated that the Committee will "provide as much advance notice of any potential taper as possible". We continue to regard early 2022 as the most likely time for tapering. Looking to the future, we expect that most economic indicators will recover. President Biden signed the USD 1.84 trillion American Rescue Plan in March, largely as initially proposed, but with some tighter targets for stimulus controls and lower unemployment benefits. The final bill includes cheques of USD 1,400 per person, a USD 300 federal unemployment supplement until 6 September, USD 350 billion for states and municipalities, and nearly USD 300 billion for schools and public health. We expect this to be the last major COVID-19-focused tax relief package, but Congress is likely to renew some of its components later this year: the expansion of child tax credit and the extension of some expanded unemployment benefits to 2022.

That said, the yields on 10-year US Treasury bonds (UST 10) are already high, after adjusting inflation expectations. The dynamic of this mass sale, compared to other similar cases in the past, indicates that the movement is likely to moderate in the coming weeks. We have therefore revised our threshold for duration neutrality to an IRR of 1.8% for UST 10. We consider it likely that a cycle driven by loose monetary and fiscal policy will help increase the slope of the yield curve, especially if the Federal Reserve maintains its forward guidance and its willingness to let inflation rise above 2.0%. However, a Fed policy that eventually reacts aggressively to violent movements in long rates should cause the yield curve to flatten equally aggressively.

Eurozone

The eurozone economy contracted 6.8% in 2020, with especially pronounced declines in Spain (-11%), Italy (-9%), France (-8.2%) and Germany (-5.3%).

As regards the economic outlook, although Europe's economic recovery will be delayed in 2021, the lost ground is likely to be made up later in 2022. Europe is also expected to experience positive effects from the Biden tax plan: "it will boost exports" (Lane). Looking to 2021, we expect a eurozone recovery on the order of 4%, which can be broken down as 5% for Spain, 4% for Italy, 4.8% for France and 3.5% for Germany. Inflation is expected to increase significantly in the next few months, due to base effects and energy components, and to be tolerated by the ECB. The ECB has revised its inflation estimate sharply upwards: to 1.5%, compared to 1% previously, above our latest estimate (1.3%).

Apart from the obvious (Europe's mismanagement of vaccinations so far), there are some bright spots: as of March 2021 daily vaccinations are slowly increasing and scheduled vaccine deliveries should allow full coverage by the end of September 2021. The supply announced by the EU (280 million doses) should allow the current rate of daily vaccinations to be doubled in the second quarter, so as to bring the percent of people vaccinated with at least one dose to 70% by July. There may be further room for improvement with a change in strategy (towards the UK model of prioritising the first dose) or an additional supply of AstraZeneca.

At its latest meeting, in March 2021, the ECB caught the markets by surprise, announcing "a significant increase in purchases over the next quarter". These are therefore larger temporary asset purchases, accompanying verbal interventions to cushion any "undesirable monetary tightening". Higher rates (in longer-dated bonds) were considered a risk to financial conditions. Consensus estimates point to an intervention range of between EUR 60 and 100 billion, far exceeding the more recent rates. The ECB is attempting to "draw a line" against the Fed's policy on the grounds of the "different timing of fiscal stimulus" (Biden's plan is already in place in the US, whereas the eurozone's Next Generation EU recovery fund is still pending).

Japan

During the third quarter, the anticipated leap in activity materialised and real GDP grew 5.3% (quarter-on-quarter). Specifically, the easing of containment measures in Japan, the robust response of the authorities and the recovery of external demand boosted private consumption and exports, while investment activity remained weak in a context of continuing high uncertainty. The consensus was that the recovery would continue for the rest of the year, albeit at a moderate pace. The Bank of Japan announced a special deposit facility to strengthen the regional financial system, while the Japanese government announced a third supplementary budget for financial year 2020, both these measures aimed at providing some support for activity over the next few quarters. And so they did, as the strength of economic activity in the last quarter of 2020 was greater than initially expected. After rebounding strongly in the third quarter, real GDP grew more than expected in the fourth quarter (+3% quarter-on-quarter), assisted by a marked recovery in private investment and strong growth in private consumption and exports. Despite this, the surge in COVID-19 cases led to the imposition of stricter containment measures in early January. As a result, activity in the first quarter of 2021 is expected to decline, albeit more moderately than in the spring of 2020.

Annual general inflation, as measured by the CPI, fell again in October, to −0.4%, from 0% in September, although most of this decline was due to idiosyncratic factors such as the gradual disappearance of the impact of the VAT increase introduced in October 2019. However, annual CPI inflation rose again substantially in late 2020 and early 2021, reaching −0.6% in January 2021, as the downward pressure from the fall in energy prices was more than offset by the marked surge in underlying inflation (excluding energy and food).

Japan's economy ended up falling 4.9% in 2020. The forecast for 2021 is for an expansion of 3.7%, which could continue during 2022 but at much more moderate rates, in the region of 2.25%.

Emerging economies of Asia and EMEA

In the countries of Central and Eastern Europe, economic growth continued to recover in the fourth quarter of 2020. In early 2021, the recovery is likely to be affected by the worsening of the pandemic and strict lockdowns. Assuming the COVID-19-related restrictions are relaxed over the next few months, activity is expected to gradually regain momentum, supported by an accommodative fiscal and monetary policy stance.

In **China**, economic activity was stronger than expected in the fourth quarter, suggesting that the recovery from the pandemic is continuing. Activity recovered swiftly thanks to the increase in production, driven by public investment and strong external demand. Overall, the Chinese economy has returned to its pre-pandemic growth path.

China's GDP grew 2.3% in 2020 and the latest high frequency data continue to suggest that the strong growth is ongoing, albeit at a more moderate pace. As public support is focused on investment and credit, the risks to financial stability could increase. The revival of consumption was more gradual, although consumer confidence improved substantially last year and consumer spending has almost fully recovered, returning to 2019 levels, as fears of a resurgence of the virus have subsided. China's rapid recovery from the disruption caused by the pandemic also suggests that the longer-term effects will be limited.

In **India**, the economy dropped 7% in 2020, although a strong recovery is expected in 2021, with real growth reaching 12%-13%.

Major reforms to modernise the economy were undertaken during 2020, most notably agricultural and labour market reform. Added to this is the new industrial reform. Even Prime Minister Modi's advisers seemed surprised by the transformation and the raft of liberalising measures.

India is still struggling with the legacy of misguided industrial policies implemented during the early decades of independence. India's protectionist policies prevented the emergence of large competitive export industries. Then, in 2014, Modi launched the "Make in India" initiative with the aim of turning the country into a manufacturing giant. At that time, the Indian government selected 25 sectors, from textiles to aerospace components, for policy support and decided to open all but three of these sectors to 100% foreign ownership. The goal was to increase the share of manufacturing in GDP to 25%, close to the level of China. Six years later, however, manufacturing's share still languishes at a meagre 15% (while trade has fallen below 40% of GDP, from a peak of 56% in 2013). India is therefore far from realising its potential in labour-intensive industries. In 2020 and 2021, the Modi government aims to build a "self-sufficient India" and will spend INR 2 trillion on subsidising manufacturing. This is not "protectionism", however, as foreign firms are eligible for subsidies on the same terms as domestic firms because they are considered vital to realising India's dream of building global production centres. The early enthusiasm of large Taiwanese contract manufacturers suggests that the mobile phone sector is well placed to benefit.

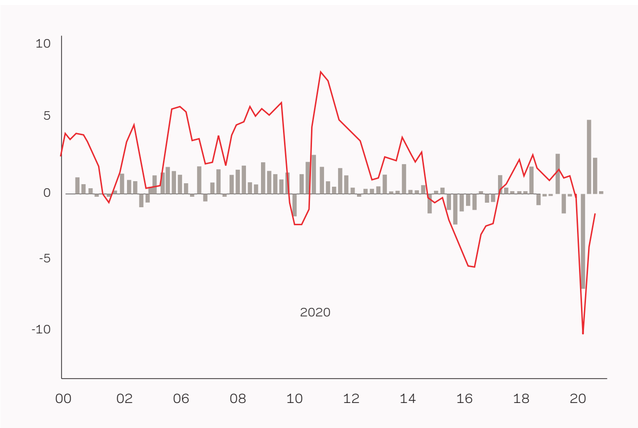
Latin America

In **Brazil**, the economy shrank by 4.1% in 2020, with a weak recovery of 3% real growth projected for 2021. A number of positive signs pointed to a resumption of economic activity towards the end of 2020 and early 2021. One factor is the possible start of an inventory replenishment cycle in the first half of 2021, despite a sluggish retail sector. The BCB also considered what financial analysts see as Brazil's failure to obtain a vaccine but pointed out that Brazil has proven experience in vaccinating its population. Clearly, there is some uncertainty in the central bank's assessments, but the BCB's head of monetary policy, Bruno Serra, painted an optimistic picture, in sharp contrast to prevailing international opinion on Brazil. But then the pandemic situation got much worse, with deaths reaching 290,314 on 19 March 2021 (second only to the US) and the 7-day moving average of new infections rising to 72,600. As of 19 March, Brazil has already administered COVID-19 vaccines to at least 11,493,000 people, which means that 5.4% of the population has already received the first dose.

The monthly GDP proxy accelerated to 1.0% m/m in January 2021, which was better than expected (in December it was 0.7%). The strong quarter-on-quarter momentum of +1.8% tilts the risks to the consensus GDP projection for the first quarter of 2021 to the upside. The strong upturn in the labour market continued in January but was beginning to show signs of slackening. The economy added 260,000 net formal jobs in January, but seasonally adjusted new hires fell 2.8% month-on-month, while new layoffs soared to 7.4%. In January, industrial production posted another monthly gain (0.4% m/m), the ninth consecutive such gain, but this is likely to be eroded by the worsening outlook in the quarter due to the severe COVID-19 situation.

Fiscal risks persist (after the recent renewal of the coronavirus bond) and local assets are starting to experience increased volatility, driven by rumours of a possible relaxation of fiscal rules. Among international investors there is still considerable frustration with the pace of structural reform. In our view, there is no chance that any of the necessary structural reforms will be undertaken in 2021 and we seriously doubt they will be carried out in 2022 either (given that it is an electoral year). The Brazilian government and Senate have thus wasted precious time, which will lead to a persistent risk of fiscal and debt crisis.

Brazil GDP (Percentage changes, SA)



Fonts: Markit, CPB Netherlands Bureau for Economic Policy Analysis i càlculs del BCE.

Note: The latest observations are for October 2020 for global merchandise imports and December 2020 for the PMIs.

In **Mexico**, the economy declined by a substantial 8.2% in 2020 and is expected to achieve a weak recovery of 4%-5% real growth in 2021.

In March 2021, Banxico called an end to the pause in benchmark rate movements, cutting the rate by a further 25 basis points, to 4%. The decision was surprisingly unanimous, with a majority of the governing board members having been appointed by the current administration and adopting a notably laxer, more permissive stance on any increase in short-term inflation, similar to that of the Fed.

The main surveys have moderated their outlook for further cuts due to the increase in inflation observed in recent price revisions. However, interest rates are expected to be reduced again, by an additional 25 basis points, at the next meeting, possibly followed by a pause for the rest of the year.

On 18 March, Pemex CEO Octavio Romero confirmed what Mexican President Andrés Manuel López Obrador had announced previously regarding the federal government's intention to absorb the outstanding payments on the state-owned firm's massive debt. The federal government has undertaken to cover USD 6 billion of Pemex's debt payments in 2021, equal to more than 80% of the country's health budget for the year. Some rating agencies have already reacted to the government's decision. Moody's has announced that although they do not anticipate a worrying negative effect in the short term, having financial support of this kind extend into 2022 could compromise the public finances.

05/ Risk management

Risk management

Achieving a robust and efficient risk control and risk management model has always been a priority for the Andbank group. The main risks to which the group is exposed in the course of its activities are:

- Interest rate risk,
- Exchange rate risk,
- Market risk,
- Credit risk,
- Liquidity risk,
- Operational risk,
- Reputational risk,
- Capital management.

Overall responsibility for ongoing risk monitoring and control is assigned to the Chief Risk Officer (CRO), who oversees the following departments: Credit Risk, which manages and monitors credit risk with customers; Financial Risk Control, which supervises interest rate risk, exchange rate risk, market risk, counterparty risk, country risk and liquidity risk; Subsidiaries Controller, which oversees the activities of the international subsidiaries to ensure that they operate within the relevant regulatory framework and that supervisory requirements in each jurisdiction are met; Operational Risk, which supervises the entity's operational risks; and Capital Management. As risk management is an enterprise-wide function, the heads of risk control in each group entity also report functionally to the CRO, who supervises their activities and ensures that, beyond local requirements, consistent control standards are applied across the group.

The Internal Audit Department acts as a third line of defence to detect, and propose corrective measures for, any non-compliance or unauthorised risk taking that has not been detected and reported by those responsible for regular ongoing risk control.

To drive progress towards advanced risk management, in 2016 the group carried out the Corporate Risks Plan and laid the foundations for the development of a comprehensive risk management model in line with the regulators' recommendations and market best practice. In the following years, the main lines of action of this programme were put into effect and the integrated risk management model in the Andbank group was made a reality.

This risk management and risk control model is founded on the metrics and limits set in the risk appetite framework, which defines the amount and types of risk the organisation considers it reasonable to take in the pursuit of its business strategy.

The existing control environment helps ensure that the risk profile is maintained within the level set by the risk appetite, while adapting to an increasingly strict and comprehensive regulatory environment.

Effective risk control is built on the following elements:

- A robust risk governance structure led by the Risk Committee, which acts as advisor to the Board of Directors in risk matters. This committee has two specialised directors, whose task is to ensure compliance with regulations and adherence to the best international risk control and risk management standards.

- The corporate risk and capital policy framework, which sets out the basic principles for the management of all the risks to which the entity is exposed. This framework ensures that all the group's subsidiaries have a risk control and risk management model that is consistent and aligned with the group's overall strategy.

- Independence of the risk function, ensuring proper separation between the risk-generating units (first line of defence) and the units responsible for risk control (second line of defence).

- Aggregated risk oversight and consolidation.

- A risk culture that is thoroughly embedded in the organisation, comprising a set of attitudes, values, skills and guidelines for dealing with all types of risk.

The risk limits are reviewed periodically to adapt them to the current economic and market situation. They are also submitted at least once a year to the Board of Directors for approval.

Country risk limits are assigned partly on the basis of relatively static factors such as membership of international bodies (EU, OECD) and credit ratings, and partly on the basis of dynamic factors (market variables) such as credit default swap (CDS) spreads. In assigning risk limits to financial institutions, factors such as rating grades and Tier 1 capital are taken into account, as well as market indicators, especially CDS prices. This methodology allows the group to maintain stable risk exposures in countries and counterparties with good credit quality, while swiftly adjusting its exposure to countries and counterparties whose credit standing has deteriorated.

The Asset and Liability Committee (ALCO), as the body responsible for managing interest rate, exchange rate, country, counterparty, liquidity and market risk, meets at monthly intervals. The ALCO is also responsible for balance sheet management and capital management. The ALCO delegates supervision of these risks to the Financial Risk Control Department.

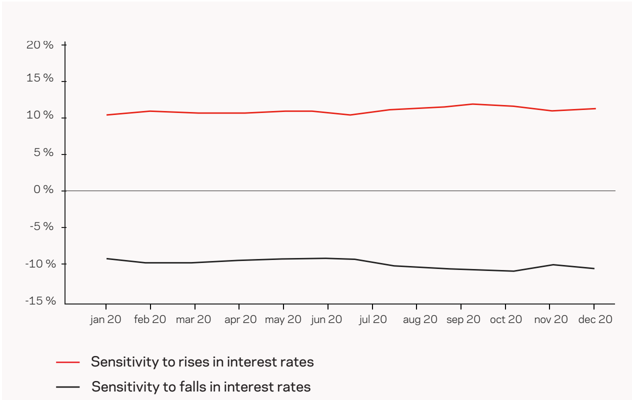
Responsibility for ensuring that the asset management activity is carried out in accordance with the established legal and regulatory framework and for evaluating the activity's results and risks is assigned to the Management Monitoring Committee, which meets monthly. This committee delegates the monitoring of the asset management activity to the Financial Risk Control Department. Besides verifying that investment bodies and models comply with the regulatory framework, Financial Risk Control also assesses compliance with the investment policy and periodically monitors the measures of risk and return.

Interest rate risk

Interest rate risk is defined as the impact of interest rate movements on the market value of the group's assets and liabilities. The measures the group uses to assess that impact are the sensitivity of net interest income to 25 basis point parallel shifts in the yield curve over a one-year horizon for the main balance sheet currencies, and the sensitivity of the market value of equity to 100 basis point parallel shifts in the yield curve.

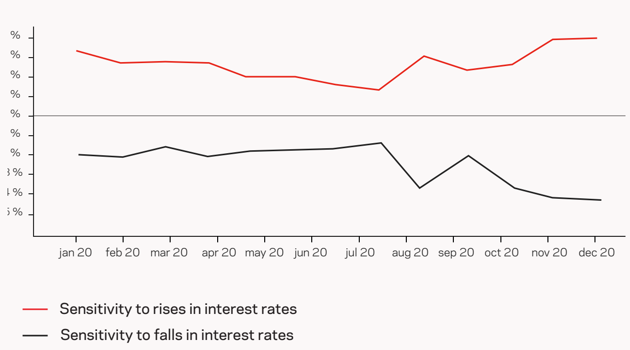
In the negative interest rate environment that has prevailed in recent years for the euro, the group has maintained positive exposure to upward shifts in the yield curve. In other words, if interest rates were to increase, the group's net interest income would increase, and vice versa. The repricing gap of interest rate-sensitive balance sheet assets and liabilities is therefore positive, i.e., asset repricing generally precedes liability repricing. This positioning is reflected in very short-term lending in the interbank market and the holding of a fixed income portfolio invested mainly in bonds, with yields linked to Euribor, or short- or medium-term fixed-rate bonds (despite the fact that part of the portfolio is made up of longer-term fixed-rate bonds, which generate additional margin and increase the duration of the balance sheet assets). A large part of these long-term bonds are financed in the market with fixed-rate repo transactions, which cover the duration risk.

Interest rate sensitivity of net interest income at one year



The limit to the sensitivity of equity to 100 basis point parallel shifts in the yield curve was set by the Board of Directors at 5%. Throughout 2020, as a result of the interest rate strategy adopted and the balance sheet positioning, the interest rate sensitivity of the group's equity fluctuated between positive and negative territory but remained below that limit at all times.

Interest rate sensitivity of equity



Exchange rate risk

The group defines exchange rate risk as the impact of exchange rate movements on the market value of the group's assets and liabilities denominated in currencies other than the euro. Spot and forward foreign exchange transactions are monitored daily to ensure that the open currency position remains within authorised limits.

The main net positions in foreign currencies, stated in euros, are as follows:

		Thousands of euros
Foreign currency exposure	2020	2019
USD	1,912	(2,104)
GBP	(50)	(427)
CHF	(150)	3,705
JPY	-	(42)

Market risk

Market risk is the potential loss to which the trading portfolio is exposed as a result of changes in market conditions, such as asset prices, interest rates, credit curves, volatility or liquidity. The measure the group uses to manage the market risk of the trading portfolio is Value at Risk (VaR), the market standard, as well as stress testing for the Hold to collect (HTC), Hold to collect and sell (HTC&S) and trading portfolios.

VaR is calculated using the historical method. The result of the VaR calculation is the maximum loss expected over a specified investment horizon with a given confidence level. The bank calculates VaR for a one-day horizon with a confidence level of 99% using one year of observations. During 2020, the average VaR for the trading portfolio was 127 thousand euros, with a high of 281 thousand euros and a low of 17 thousand euros, while the average total position in the trading portfolio was 141 million euros. Overall, the trading portfolio is made up of bonds with good credit quality and very short duration, which entails a very small VaR.

				Thousands of euros
31 December 2020	VaR at 31/12/2020	Average VaR for the period	Maximum VaR for the period	Minimum VaR for the period
Interest rate risk	140	106	84	11
Spread risk	49	45	267	4
Equity risk	7	23	13	13
Diversification effect	(47)	(47)	(84)	(10)
Total	**148**	**127**	**281**	**17**

(*) The observed values for maximum and minimum VaR by risk component are the maximum and minimum observed with total VaR

The group applies stress tests to the banking book to estimate the probable loss in extreme situations characterised by sharp increases in the yield curve or a widening of credit spreads.

These tests involve simulating changes in the market value of banking book assets under different scenarios.

Six scenarios are analysed, four of which are historical (2010 Greek crisis, 2008 Lehman Brothers bankruptcy, 2001 Twin Towers terrorist attacks and 1998 Russian debt crisis) and two hypothetical (steepening of the yield curve, flattening of credit spreads).

The following table shows the impact of the historical scenarios on the value of the trading book and the HTC&S and HTC portfolios, month by month:

	HTC&S + HTC				Trading			
Month	Greek debt crisis	Russian debt crisis	Lehman Brothers	Twin towers	Greek debt crisis	Russian debt crisis	Lehman Brothers	Twin towers
January	-1.58%	-1.74%	-1.85%	-1.30%	-0.01%	-0.01%	-0.01%	-0.01%
February	-2.03%	-2.25%	-1.54%	-1.52%	-0.11%	-0.02%	-0.12%	0.01%
March	-2.63%	-3.09%	-2.09%	-2.06%	0.06%	0.09%	0.04%	0.10%
April	-2.66%	-2.98%	-2.33%	-1.97%	0.09%	0.13%	0.18%	0.05%
May	-2.36%	-2.01%	-2.64%	-1.75%	-0.03%	0.03%	-0.03%	-0.02%
June	-2.02%	-1.76%	-2.26%	-1.48%	-0.09%	-0.05%	-0.10%	-0.04%
July	-1.88%	-1.71%	-2.16%	-1.41%	0.16%	0.15%	0.21%	0.04%
August	-2.20%	-2.69%	-1.59%	-1.69%	-0.12%	-0.17%	-0.05%	-0.08%
September	-2.41%	-3.06%	-1.94%	-1.90%	-0.12%	-0.16%	-0.04%	-0.09%
October	-1.74%	-2.28%	-1.61%	-1.42%	-0.13%	-0.16%	-0.04%	-0.09%
November	-1.54%	-2.02%	-1.54%	-1.24%	-0.11%	-0.14%	-0.04%	-0.07%
December	-1.93%	-2.31%	-1.88%	-1.45%	-0.17%	-0.21%	-0.06%	-0.11%

Credit risk

Credit risk is the risk of loss arising from failure by a counterparty to meet its obligations to the group. The group's credit risk exposure includes:

- The risk of default arising from ordinary treasury operations, which basically include interbank lending, securities lending and borrowing, repo transactions and transactions with OTC derivatives;
- The risk of default by the issuers of bonds held in the proprietary portfolio;
- The risk of default on loans.

In assigning limits the group follows a prudent policy and authorises exposure only to countries with a high credit rating and, within such countries, only to financial institutions with moderate credit risk. The risk limits are approved by the Board of Directors at least once a year.

The limits are stricter for uncollateralised exposures. In such cases, the counterparty must have high credit ratings assigned by the main agencies (Moody's, Fitch and S&P) and must be considered a moderate credit risk, relatively speaking, as reflected in the market price of its five-year CDS compared to an index. Close observation of this market variable allows the group to swiftly include any change in a counterparty's credit quality in its model.

In various types of transactions (mainly transactions in OTC derivatives, repo transactions, and securities lending and borrowing) the group takes collateral to reduce its risk exposure. Exposures to counterparties with whom an ISDA Master Agreement has been entered into are netted. Andbank has entered into ISDA, CSA and GMRA agreements with various counterparties, so as to diversify the available counterparties for derivative transactions while at the same time limiting its exposure to counterparty risk. It also actively manages collateral, monitoring exposures under the aforementioned agreements daily and making margin calls to counterparties which give rise to a risk exposure that needs to be mitigated.

During 2020, the group's fixed-income portfolio was invested in high quality assets, with 29.95% invested in sovereign and public sector securities. The portfolio is diversified mainly across issuers in the United States, France, Andorra, Spain and Italy.

The fixed-income portfolio is thus made up, on the one hand, of securities in which the group has a direct exposure to the risk of the issuer or guarantor, most of which have an investment grade rating; and on the other, of bonds used to hedge customers' structured deposits, which the group holds on its balance sheet but the risk of which has been transferred to the customers. A breakdown of the fixed-income portfolio by issuer credit rating is given below (in Thousands of euros):

			Thousands of euros
Rating	With credit exposure to issuer or guarantor	With risk transferred to customers	Total
AAA	52,060	-	52,060
AA+ to AA-	100,350	-	100,350
A+ to A-	426,828	-	426,828
BBB+ to BBB-	314,197	-	314,197
Investment grade	**893,435**	-	**893,435**
BB+ to BB-	16,506	-	16,506
B+	2	-	2
Speculative grade	**16,508**	-	**16,508**
Not applicable	1,193	-	1,193
Total	**911,137**	-	**911,137**

As regards credit risk exposure in transactions with customers, the group has loans and receivables totalling 1899 million euros, mainly in credit facilities and loans, a large proportion of which are secured by mortgage (923 million euros) or with a pledge of collateral (875 million euros).

The main tools of credit risk management are the credit approval policies and authorities, the monitoring of exposure levels, and regular committee oversight (Irregular Risk Committee and Executive Committee). Credit risk concentrations are reviewed at least weekly and are monitored to ensure they remain within the parameters set by the supervisor, specifying maximum borrowing levels for certain customer groups. Responsibility for customer credit risk management and control lies with the Credit Risk Department.

At the same time, arrears are monitored for each product, so that credit approval policies and authorities can be adjusted accordingly. Lending decisions are transaction-specific. Risk levels are monitored based on the analysis of qualitative and quantitative variables, tailored to the supervisor's requirements. The group's non-performing loans ratio is 3.10%, below the average for the financial institutions of neighbouring countries. During 2020, the group maintained a conservative provisioning policy, with the result that total loan loss provisions are 70% greater than the volume of non-performing loans.

Credit risk is the risk of loss arising from failure by a customer or counterparty to meet its contractual obligations to the group.

The Andbank group's main business strategy is focused on private banking activities, with a wide, highly diversified customer base and a low concentration of customer funds. The Company also carries out retail banking business exclusively for the Andorran market, offering loans to private individuals and small and medium enterprises in the Principality.

To optimise credit risk management and integrate it in the overall risk management structure, so as to obtain returns that match the level of risk assumed, the group has defined common core principles which ensure that credit risk management is aligned with the bank's business plan and risk appetite and complies with regulatory requirements.

Credit risk management is based on a sound organisational and governance model, in which the Board of Directors and the various risk committees each play a role, setting risk policies and procedures, limits and delegated powers and approving and supervising the activities of the credit risk function.

The Loans Committee is the body responsible for the supervision and control of the group's credit risk. Its purpose is to effectively control credit risk and advise the Executive Committee, so as to ensure that credit risk is managed in accordance with approved risk appetite levels.

Credit risk cycle

The full risk management cycle covers the entire life of each transaction, from the initial feasibility study through credit approval in accordance with established criteria to monitoring of outstanding loans and, where applicable, recovery of impaired assets.

- Transaction analysis and approval

The process of analysing and approving loans and credit lines involves a rigorous study of the customer's ability to pay and the nature, liquidity and quality of the security provided.

This process must take into account the approval criteria set out in the credit risk policy and the rules for the delegation of authority based on the powers assigned to the different governing bodies, depending on product type, amount and maturity.

To mitigate its exposure to risk, the group has also defined a model that sets the authorised limits and facilities for each counterparty. Said model is approved by the Board of Directors and revised annually. All new transactions must comply with these limits and the amount of the limits that has been used up is monitored at all times.

This analysis and approval process comprises the following stages:

- Proposal: the manager submits the credit proposal with an analysis of the customer's credit quality, positions, creditworthiness and profitability based on the risk assumed.
- Analysis: the Credit Risk Department analyses the proposal and checks that the information is properly documented, accurate and accessible, as a prerequisite for approval.
- Approval: after analysing the proposed transaction, the Credit Risk Department approves it on the basis of the bank's lending policies and risk appetite, seeking a balance of risk and return.
- Notification: to conclude the approval process, a credit document is issued and signed and is then submitted to the relevant functions, so that it can be properly recorded in the bank's systems.

- Monitoring

Customers and transactions are monitored, analysing all factors that could affect their credit quality to allow early detection of potential incidents, so that measures can be taken to mitigate or resolve them.

Customers or transactions that require more in-depth review or closer monitoring, whether because their credit quality has deteriorated or because of the nature or amount of their debt, are thus identified.

In addition, compliance with approved limits and credit facilities is monitored and controlled on a daily basis. At market close all exposures are recalculated based on credit inflows and outflows, changes in the market, and the established risk mitigation mechanisms. Exposures are thus subject to daily monitoring and control in relation to the approved limits.

- Recoveries

Credit recovery is an important credit risk management function. It comprises the strategies and actions required to ensure that delinquent loans are brought current or recovered in the shortest time and at the least possible cost. This function is performed by the Collections and Recoveries Department. This department works directly with customers and adds value through effective and efficient debt collection, whether by bringing payments up to date or by recovering the entire loan.

The recovery management system requires effective coordination between departments (Sales, Risks and Legal) and is subject to ongoing review of management processes and methodologies, to adapt them to changing legislation and industry best practice.

Credit impairment

A financial asset or credit exposure is considered impaired when there is objective evidence that an event or a combination of events has occurred that adversely affects the estimated future cash flows as calculated at the time of entering into the transaction, due to the materialisation of a credit risk. Impairment losses on debt instruments and other off-balance sheet credit exposures are recognised as an expense in the consolidated income statement for the period in which the impairment become evident, and any recoveries of previously recognised losses are likewise recognised in the consolidated income statement for the period in which the impairment is reversed or reduced.

Impairment losses on financial assets are calculated based on the type of instrument, taking into account any effective guarantees received. For debt instruments measured at amortised cost, the group recognises both adjustment accounts (when allowances are recorded to cover impairment losses) and direct write-downs against assets (when recovery is deemed unlikely).

Accounting classification according to credit risk

The group has established criteria for identifying borrowers with significant increases in credit risk, credit weaknesses or objective evidence of impairment, and for classifying them according to their credit risk.

Credit exposures and off-balance sheet exposures are classified according to their credit risk in the following stages:

- 'Normal risk', or Stage 1: transactions that do not meet the requirements for inclusion in other categories.
- 'Normal risk with a significant increase in credit risk', or Stage 2: this category includes all transactions which, although they do not meet the criteria to be classified individually as Stage 3 or 'In default', nevertheless show a significant increase in credit risk since initial recognition. Transactions with amounts more than 30 days past due are included in this category. Refinanced and restructured transactions that have been classified in this category are reclassified to a lower risk category when they meet the requirements for such reclassification. Transactions that have been classified as 'Normal risk under special monitoring' (Stage 2) because of a significant increase in credit risk or because they have amounts more than 30 days past due should be reclassified to the 'Normal risk' category (Stage 1) once they have passed a six-month trial period, based on the probability of entering the 'Normal risk under special monitoring' category.
- 'Doubtful risk' or Stage 3: this category includes debt instruments, whether past due or not, where the requirements for inclusion in the 'In default' category are not met but there is reasonable doubt as to whether the obligor will repay principal and interest in full; and also off-balance sheet exposures where it is probable the group will have to pay but recovery is doubtful.
    - For arrears of the borrower: transactions where an amount of principal, interest or contractually agreed expenses is more than 90 days past due (although the particular characteristics of purchased or originated credit-impaired loans are taken into account), unless the transaction must properly be classified as 'In default'. Guarantees given are also included in this category when the obligor has defaulted on the

guaranteed transaction. Likewise, all the transactions of a given obligor are included in this category when the amounts more than 90 days past due exceed 20% of the total amount outstanding.

  - For reasons other than arrears of the borrower: transactions where the requirements for inclusion in the 'In default' category or in Stage 3 for arrears of the borrower are not met but there is reasonable doubt as to whether the estimated cash flows of the transaction have been obtained; and also off-balance sheet exposures not classified in Stage 3 for arrears of the borrower for which it is probable the group will have to pay but recovery is doubtful.

- The accounting definition of Stage 3 coincides with that used in the group's credit risk management. It also coincides with the regulatory definition of default, except that for regulatory purposes all transactions of an obligor in a business segment are considered to be in default when the obligor has amounts more than 90 days past due, whereas for accounting purposes all transactions of an obligor are classified in Stage 3 only when the amounts more than 90 days past due are equal to more than 20% of the total amount outstanding.

- Write-off: the group writes off transactions of which, after an individual analysis, all or part is considered unlikely to be recovered. Transactions included in this category include exposures to customers who are involved in bankruptcy proceedings with a winding-up petition and transactions classified in Stage 3 on account of amounts more than four years past due, or less than four years past due where the amount not covered by effective guarantees has been maintained with credit risk coverage of 100% for more than two years, except for amounts with sufficient effective guarantees. Also included are transactions that meet none of the above criteria but that are manifestly and irrecoverably credit-impaired.

Estimation of impairment loss allowances

Debt instruments not included in the portfolio of financial assets held for trading; and off-balance sheet exposures are classified, based on their credit risk, in one of the categories listed in the following sections.

Allowances for transactions classified as Normal risk are associated with a group of transactions that have similar credit risk characteristics ('homogeneous risk group') and therefore can be estimated collectively, based on the credit losses of transactions with similar risk characteristics.

Allowances for transactions classified as 'Normal risk with a significant increase in credit risk' may be associated with a homogeneous risk group or an individual transaction. Where they are associated with a homogeneous risk group, they must be estimated collectively; where they are associated with specific transactions, they may be estimated either individually, based on the credit losses of the transaction in question, or collectively.

Finally, allowances for transactions classified as doubtful are associated with specific transactions and may be estimated individually or collectively.

Credit risk mitigation

Credit risk exposure is rigorously managed and monitored based on analyses of borrowers' creditworthiness and their ability to meet their obligations to the group; and the exposure limits set for each counterparty are adjusted to the level deemed acceptable. The level of exposure is usually also modulated by taking collateral and guarantees provided by the obligor.

As a rule, the guarantees consist of collateral, mostly cash, securities or residential property (finished or under construction). To a lesser extent, the group also accepts other types of collateral, such as mortgages on retail premises and industrial buildings, as well as financial assets. Another credit risk mitigation technique used by the bank is the acceptance of surety bonds, conditional upon the surety's having proven solvency.

In using these mitigation techniques the bank takes steps to ensure legal certainty, i.e. by entering into legal contracts that are binding on all parties and enforceable in all relevant jurisdictions, so that the guarantee can be enforced at any time.

Maximum credit risk exposure

Under IFRS 7 Financial Instruments: Disclosures, the distribution of the group's maximum exposure to credit risk at 31 December 2020 and 2019 by item of the consolidated statement of financial position is presented below without deducting the collateral or credit enhancements obtained to ensure compliance with payment obligations, broken down by the nature of the financial instruments.

Liquidity risk

Liquidity risk is the risk that, at any given time, the group will be unable to meet its payment obligations, whether arising from the maturity of deposits, drawdown of committed credit facilities or margin calls in collateralised transactions, among other things.

The ALCO manages liquidity risk so as to ensure that sufficient liquidity is available at all times to settle liabilities, while at the same time retaining sufficient liquidity to exploit any investment opportunities that may arise.

Liquidity is managed by analysing the balance sheet in terms of contractual maturities. The bank has IT tools to correctly distribute the maturities of its assets and liabilities over time, so as to be able to analyse future cash flows from receipts and payments and thus anticipate possible gaps.

Most of the funding comes from customer deposits, although the interbank market is also an important source of funding, mainly through repo transactions.

The following table shows the assets and liabilities classified by maturity. Part of certain items, such as current accounts, is considered to have no contractual maturity. The other items are distributed across the different maturity buckets based on a historical review of their volatility, their amount and the nature of the contracts.

31 December 2020	Up to one month	From one month to three months	From three months to one year	From one to five years	More than five years	Not sensitive	Total balance
							Thousands of euros
Cash, balances with other central banks and other demand deposits	1,302,133	-	-	-	-	-	1,302,133
Financial assets	39,453	197,972	22,291	377,602	269,059	29,664	936,041
Loans and receivables	665,607	434,020	986,007	111,430	163,783	(40,172)	2,320,675
5.2. Loans and credits to entities	274,262	-	4,769	56,808	85,520	798	422,157
5.3. Credits to customers	391,345	434,020	981,238	54,622	78,263	(40,970)	1,898,518
Derivatives	-	-	-	-	-	108,897	108,897
Hedging derivatives	-	-	-	-	-	4,089	4,089
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	3,243	3,243
Other assets	-	-	-	-	-	551,978	551,978
Total assets	**2,007,193**	**631,992**	**1,008,298**	**489,032**	**432,842**	**657,699**	**5,227,056**
Financial liabilities held for trading	-	-	-	-	-	74,299	74,299
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	669,516	379,696	1,299,742	293,641	139,586	1,706,778	4,488,959
3.1. Deposits in central banks	53,377	-	-	115,370	-	-	168,747
3.2. Deposits in banks	227,375	60,566	-	60,917	88,986	1,736	439,580
3.3. Customer deposits	208,176	306,296	1,233,347	43,598	10,600	1,587,092	3,389,109
3.3.1. Demand	*132,128*	*264,257*	*1,189,155*	-	-	*1,585,541*	*3,171,081*
3.3.2. Term	*76,048*	*42,039*	*44,192*	*43,598*	*10,600*	-	*216,477*
3.3.3. Unpaid interest incurred	-	-	-	-	-	*1,551*	*1,551*
3.3.4. Other financial liabilities	-	-	-	-	-	-	-
Debt securities	180,588	12,834	66,395	73,756	40,000	562	374,135
Other financial liabilities	-	-	-	-	-	117,388	117,388
Hedging derivatives	-	-	-	-	-	6,268	6,268
Liabilities under insurance contracts	(440)	-	-	-	-	120,393	119,953
Other liabilities	-	-	-	-	-	-	-
Total liabilities	**669,076**	**379,696**	**1,299,742**	**293,641**	**139,586**	**1,907,738**	**4,689,479**
Equity	-	-	-	-	34,800	502,777	537,577
Total Liabilities + Equity	**669,076**	**379,696**	**1,299,742**	**293,641**	**174,386**	**2,410,515**	**5,227,056**
Assets	2,007,193	631,992	1,008,298	489,032	432,842	657,699	5,227,056
Liabilities	669,076	379,696	1,299,742	293,641	174,386	2,410,515	5,227,056
IRS - Derivatives	**38,000**	**(19,302)**	**25,213**	**(23,000)**	**(40,515)**	**-**	**(19,604)**
SIMPLE GAP	**1,376,117**	**232,994**	**(266,231)**	**172,391**	**217,941**	**(1,752,816)**	**(19,604)**
ACCUMULATED GAP	**1,376,117**	**1,609,111**	**1,342,880**	**1,515,271**	**1,733,212**	**(19,604)**	**-**

31 December 2019	Up to one month	From one month to three months	From three months to one year	From one to five years	More than five years	Not sensitive	Total balance
							Thousands of euros
Cash, balances with other central banks and other demand deposits	1,017,457	-	41,428	-	-	-	1,058,885
Financial assets	55,961	113,123	81,639	250,127	270,559	45,808	817,217
Loans and receivables	719,951	438,446	757,784	64,962	55,567	(46,580)	1,990,130
5.2. Loans and credits to entities	283,798	51,761	42,821	608	-	229	379,217
5.3. Credits to customers	436,153	386,685	714,963	64,354	55,567	(46,809)	1,610,913
Derivatives	-	-	-	-	-	76,796	76,796
Hedging derivatives	-	-	-	-	-	822	822
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	2,862	2,862
Other assets	-	-	-	-	-	614,671	614,671
Total assets	**1,793,369**	**551,569**	**880,851**	**315,089**	**326,126**	**694,379**	**4,561,383**
Financial liabilities held for trading	-	-	-	-	-	53,663	53,663
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	501,930	383,017	1,217,807	345,791	64,083	1,346,219	3,858,847
3.1. Deposits in central banks	48,532	-	27,874	-	-	1	76,407
3.2. Deposits in banks	223,487	122,495	20,985	-	-	2,995	369,962
3.3. Customer deposits	218,711	260,522	1,085,254	48,330	-	1,223,347	2,836,164
3.3.1. Demand	*101,809*	*203,618*	*916,279*	-	-	*1,221,705*	*2,443,411*
3.3.2. Term	*116,902*	*56,904*	*168,975*	*48,330*	-	-	*391,111*
3.3.3. Unpaid interest incurred	-	-	-	-	-	*1,642*	*1,642*
3.3.4. Other financial liabilities	-	-	-	-	-	-	-
Debt securities	11,200	-	83,694	297,461	64,083	1,622	458,060
Other financial liabilities	-	-	-	-	-	118,254	118,254
Hedging derivatives	-	-	-	-	-	5,224	5,224
Liabilities under insurance contracts	-	-	-	-	-	-	-
Other liabilities	(89)	-	-	-	-	120,635	120,546
Total liabilities	**501,841**	**383,017**	**1,217,807**	**345,791**	**64,083**	**1,525,741**	**4,038,280**
Equity	-	-	-	35000	-	488,103	523,103
Total Liabilities + Equity	**501,841**	**383,017**	**1,217,807**	**380,791**	**64,083**	**2,013,844**	**4,561,383**
Assets	1,793,369	551,569	880,851	315,089	326,126	694,379	4,561,383
Liabilities	501,841	383,017	1,217,807	380,791	64,083	2,013,844	4,561,383
IRS - Derivatives	-	**(23,152)**	**(515)**	**38,000**	**515**	-	**14,848**
SIMPLE GAP	**1,291,528**	**145,400**	**(337,471)**	**(27,702)**	**262,558**	**(1,319,465)**	**14,848**
ACCUMULATED GAP	**1,291,528**	**1,436,928**	**1,099,457**	**1,071,755**	**1,334,313**	**14,848**	-

On a daily basis, the Financial Risk Control Department monitors the liquidity available at different maturities, ensuring that liquidity remains above the established minimum. During 2020, the minimum stood at 300 million euros overnight and 500 million euros in cash and highly liquid positions up to one year. Positions that can be financed with repos and the liquid portfolio are monitored daily. The bank remained within these limits during the year.

To comply with international standards, the Andbank group calculates and monitors the liquidity coverage ratio (LCR). The LCR is defined by the Basel Committee on Banking Supervision and compares the amount of available highly-liquid assets with net cash inflows (outflows) over the next 30 days. The levels and compliance schedule are as follows:

	2016	2017	2018	2019	From 2019
Minimum LCR	70 %	80 %	90 %	100 %	100%

Andbank LCR	190 %

The Andbank group's LCR at the end of 2020 was 190%, well above the regulatory minimum.

Apart from the short-term liquidity coverage ratio, at quarterly intervals, since March, the Andbank Group also calculates the net stable funding ratio (NSFR). This ratio is defined by the Basel Committee on Banking Supervision as the ratio of the amount of stable funding available to an institution to the amount of funding required over a one-year horizon. At year-end 2020 the group's NSFR is 151%, well above the regulatory minimum (100%).

Additionally, at monthly intervals the group prepares a contingency funding plan, in which it assesses contingent funding based on different levels of use of its liquid assets and the available funding sources, taking into account the cost at which the liquidity could be generated. Readily convertible assets and manageable liquidity sources are then ranked, giving priority to the use of liquidity sources that have a low impact on the income statement and postponing the use of those that would have a high negative impact. Potential liquidity outflow scenarios, whether resulting from customer activities or activities in the financial markets, are also identified and classified in two groups (likely and unlikely), according to the likelihood of their occurrence. Finally, the liquidity that could be generated is compared with the potential outflows to determine whether the surplus exceeds the approved minimum liquidity level.

Operational risk

Following the Basel Committee guidelines, the group defines operational risk as the risk of losses arising from inadequate or failed internal processes, people and systems or from external events.

Operational risk is inherent in all the group's activities, products, systems and processes and may come from various sources (processes, internal or external fraud, technology, human resources, business practices, disasters, suppliers). The group therefore considers it important to ensure that operational risk management is integrated in the bank's overall risk management organisation and is managed actively.

The bank's main objective in relation to operational risk is to identity, assess, control and monitor all events that represent a risk focus, with or without economic loss, so as to take appropriate steps to mitigate the risk.

The main task of the Operational Risk Department is to develop an advanced operational risk management framework, so as to reduce future exposure and losses that might affect the income statement. Its main responsibilities are to:

- Promote the development of an operational risk culture throughout the group, involving all business functions in operational risk management and control.
- Design and implement an operational risk management and control framework to ensure that all events liable to generate operational risk are properly identified and managed.
- Oversee the correct design, maintenance and implementation of operational risk standards.
- Monitor operational risk limits, ensuring that the risk profile stays within the levels specified in the bank's risk appetite.
- Supervise operational risk management and control in the different business and support areas.
- Ensure that Senior Management and the Board of Directors receive a holistic view of all relevant risks so that the operational risk profile is properly communicated.

The areas and departments are responsible for the day-to-day management of operational risk in their respective fields. This involves identifying, assessing, managing and controlling the operational risks related to their activities, and working with the Risk Control Department to implement the management model.

The Risk Control Department is responsible for defining, standardising and implementing the operational risk management, measurement and control model. It also provides support to areas and departments, and collates figures on operational risk for the entire scope of consolidation in order to submit reports to Senior Management and to the risk management committees and commissions involved.

The bank's operational risk management framework is based on the three-line defence model, with areas and departments responsible for the first line of control, the Operational Risk Department for the second and Internal Audit acting as the third independent line of defence.

Operational risk is identified, measured and assessed using operational risk management levers together with measurement, monitoring and mitigation tools and procedures.

The tools for identifying and measuring operational risk provide a picture of any losses arising and enable the self-assessment of risks and controls, putting the focus on the proactive management and mitigation of operational risks. All the processes of risk self-assessment, loss database enrichment, key risk indicator (KRI) management, identifying weaknesses, developing action plans, etc., are carried out using workflows that are managed and supervised by the Operational Risk Department, together with the persons responsible for monitoring tasks in each department.

The main tools used to manage operational risk within the group are:

- An incidents database, which captures and records all operational risk events in the group's subsidiaries. The most significant events in each subsidiary and in the group as a whole are reviewed and documented in particular detail.

- A risks and controls map, which identifies all the risks associated with the bank's day-to-day operations, as well as the persons responsible and the controls in place. The aim is to define mitigating measures and action plans to reduce the risk exposure.

- The annual risk and control self-assessment (RCSA), which serves to identify critical points and assess the quality of risk management, so as to be able to improve and strengthen it.

- Key risk indicators (KRIs), which can be analysed and monitored to assess the degree of operational control and so manage risk proactively.

Reputational risk

For Andbank, complying with the laws and regulations on banking and financial services is an essential objective. The bank has therefore taken steps to manage regulatory compliance and reputational risk. *Regulatory compliance risk* is the risk of incurring financial, material or reputational penalties or losses as a result of non-compliance with applicable laws and regulations or the group's internal procedures. It is therefore closely linked to reputational risk, which is associated with negative perceptions of the Andbank group on the part of the general public or stakeholders (customers, counterparties, employees, regulators) as a result of misconduct by the bank.

Andbank considers its public image its most valuable asset for retaining the trust of customers, regulators, shareholders and investors.

Andbank has a regulatory compliance function that coincides with its strategic objectives, that acts independently of the group's business areas and that is made up of professionals specialised in the different jurisdictions in which the group has a presence. The bank invests heavily in continuous development of its human capital and available technical resources, so as to have a compliance risk control and management system that is always up-to-date.

Bearing in mind the aforementioned objectives, a number of enterprise-wide policies have been designed and approved by the Board of Directors and are regularly reviewed to adapt them to changes in Andbank's activities. These enterprise-wide policies apply to the entire group, together with a set of internal controls for the management of regulatory and reputational risk.

The bank has also created the Ethics and Regulatory Compliance Committee, within the Board of Directors, to monitor and supervise the appropriateness and adequacy of the regulatory compliance model for the whole of the Andbank group.

The main pillars supporting Andbank's management of compliance risk and reputational risk are as follows:

Rules of ethics and conduct

Andbank acts to promote ethical conduct by all the group's employees. For Andbank, the customer is the focus of its activity and no business can be accepted if it is likely to generate reputational risk.

The bank has an ethics code, which sets minimum standards of conduct that all employees, managers and directors must adhere to and places them under an obligation to act responsibly in the performance of their duties. Employees have a secure channel through which to resolve doubts and report activities that may breach the bank's standards of conduct.

Prevention of money laundering and the financing of terrorism

Andbank undertakes to actively combat money laundering, the financing of terrorism and other financial crimes. Effective implementation of KYC ("Know Your Customer") procedures and rules is fundamental to the group.

KYC means having full details of the people and entities with which the group does business (be it a single transaction or a long-term business relationship) or to which it provides services, and also having relevant information about the final beneficiaries and related parties. KYC is an ongoing process that starts with customer acceptance and continues throughout the business relationship. A similar "Know Your Employee" (KYE) process is used in staff recruitment.

In private banking, the bank has a comprehensive anti-money laundering model based on EU directives, which is adapted as necessary to the particular characteristics of each subsidiary and its local regulations and which is constantly evolving to keep pace with changes in regulations.

Enhanced due diligence measures are applied when accepting and monitoring private banking customer transactions. Customers are classified according to their potential risk, based on the information they themselves have provided and the information obtained by the bank, in accordance with international standards (such as the country of origin, residence and business activity).

Andbank invests in new technologies and uses latest generation techniques to detect suspicious behaviour patterns and transactions that may be linked to money laundering or the financing of terrorism.

The Compliance function carries out an independent review to provide the necessary assurance when a new account is opened. This process is not confined to new customers, however; all customers must be monitored continuously to ensure the bank has the information it needs to be able to detect illegal transactions.

To standardise and tighten control over potential regulatory compliance risks, a manual of procedures has been drawn up that sets out the activities through which the risks are managed. The procedures are updated in line with local regulations and international standards.

To strengthen good governance in this area, which is critical for any financial institution, Andbank has set up various committees, in which the company's senior management take part. These committees review decisions to accept particularly sensitive customers, monitor the steps taken by the Compliance Department and take any other decisions required to achieve the aforementioned objectives.

Investor protection

The bank's commitment to its customers has two main dimensions: long-term value creation and the greatest possible information transparency. The group therefore has enterprise-wide policies and procedures, tailored to the particularities of each jurisdiction in which it operates, to ensure compliance with applicable regulatory requirements.

Andbank's compliance and reputational risk mitigation model is built around:

- A risk management-oriented organisational structure.
- Assignment of roles and responsibilities within the organisation.
- Transparent policies and procedures, available to customers.
- Reinforced rules of conduct for enhanced investor protection.
- A procedure for the sale of financial products based on a clear categorisation of services, customer types and products.
- Continuous review of the control model to adapt to changes arising from new laws and regulations.

The bank's aim is to ensure:

- Financial services tailored to customers' needs.
- A transparent, two-way relationship, with rights and obligations on both sides.
- Fair resolution of customer complaints.

CRS (Common Reporting Standard)

The CRS is a standard for the automatic exchange of financial information between jurisdictions that allows the tax authorities of participating countries to obtain, on an annual basis, information on tax residents' investments and accounts held in financial institutions abroad (i.e., in countries in which they are not resident for tax purposes).

The Principality of Andorra passed Law 9/2016 of 30 November on the automatic exchange of tax information, adopting the principles established by the OECD for the Common Reporting Standard and included in the Convention on Mutual Administrative Assistance (CMAA) in Tax Matters regarding the automatic exchange of tax information between competent authorities in member countries. The text of this law was published on the website of the Official Gazette of the Principality of Andorra (BOPA) (www.bopa.ad).

Under this law, financial institutions are legally obliged to report certain personal and tax information in respect of accounts held by non-resident customers to the competent authority (in the Principality of Andorra, the Tax and Borders Department).

Knowledge management and training

The group invests in training to ensure that all employees are aware of the requirements under current laws and regulations and the policies and procedures the bank has adopted.

Each year, the group draws up a training plan for each jurisdiction, which is carried out by the group itself or by external providers, either in the classroom or online. Instilling a compliance culture throughout the organisation is vital for effective compliance risk management.

The annual training plans include courses on tax, prevention of money laundering and the financing of terrorism, and investor protection legislation, tailored to the course participants' level and needs.

Incidents and complaints

Andbank puts its customers' interests first at all times, so their opinions or possible complaints are always listened to and considered. The Quality Department handles all incident reports submitted by customers to the bank through the various channels available to them. The department's mission is to swiftly resolve incidents and drive the necessary changes in policies and procedures to prevent any reoccurrence.

Capital management

In its session on 20 December 2018, as part of the process of bringing the Andorran legal framework into line with the acquis communautaire, particularly as regards prudential legislation, the Andorran parliament passed Law 35/2018 on the solvency, liquidity and prudential supervision of banks and investment firms (Ley 35/2018 de Solvencia, Liquidez y Supervisión Prudencial de Entidades Bancarias y Empresas de Inversión). This law, together with an implementing regulation, is intended to give coverage to the European CRD IV package comprising Regulation EU no. 575/2013 and Directive 2013/36/EU.

The new law came into force on 24 January 2019 and repeals the law regulating the solvency and liquidity of financial institutions of 29 February 1996.

The new law requires banks to maintain a minimum Common Equity Tier 1 (CET1) ratio of 4.5 %, a minimum Tier 1 capital ratio of 6 % and a total capital ratio of 8 %. At 31 December 2020, Andbank's ratios were well above these minimum levels. In this regulatory environment, Andbank's capital ratios at 31 December 2020 are as follows:

	Global	Progressive
CET1 ratio	12.59%	13.56%
Tier 1 ratio	15.11%	16.02%
Total capital ratio	15.11%	16.02%

Leverage ratio

In this regulatory framework, the Andbank group is in a strong position, with a leverage ratio of 6.22% at year-end 2020.

06/ Corporate social responsibility report 2020

Corporate social responsibility report 2020

1. Introduction

Andbank's commitment to society and the communities around us has enabled us, year after year, to carry out more work whose primary objective is to contribute to social, economic and environmental improvements in the countries in which we operate.

Corporate social responsibility is an enterprise-wide activity that involves different departments. As an institution, we aim to be socially responsible, acting ethically and consistently, and are aware that in all business decisions and actions we must bear in mind the three pillars of sustainability: economic progress, social progress and environmental progress. We are convinced that a company's primary responsibility is to create wealth honestly and sustainably.

To put these commitments into effect, Andbank has a set of internal policies and procedures and a code of conduct, which cover all the group's activity and are designed to ensure that all members of the organisation act ethically and responsibly.

In its relationship and engagement with society in general and Andorra in particular, Andbank seeks to act in the way that will contribute most value to society's members, always aiming for excellence and superior customer service.

The purpose of the Andbank group's annual report is to inform all our stakeholders and society in general about the group's activities during 2020 at the economic, social and environmental level.

2. The Andbank Group. Combating COVID-19

A year of transition

2020 was a tumultuous year due to the COVID-19 pandemic, affecting the entire world, both in terms of health and the economy.

On 13 March the Government of Andorra ordered the shutdown of all businesses except for essential services such as the sale of consumer staples, for an extendible 15-day period. Over the following days governments around the world acted. taking measures to lock down the public and prohibit non-essential activities.

A year later, restrictions and health measures remain in place in every country. The development of various vaccines against the SARS-CoV-2 virus has encouraged people everywhere to have greater faith that the economy will recover soon. Nevertheless, it will not be possible to lift all restrictions until mass vaccinations have taken place.

All the Group's businesses have responded quickly and efficiently to the lockdowns ordered in virtually every country, enabling the vast majority of employees to work from home in order to keep the business running as normal. Conscious of the social and health emergency taking place, the bank has endeavoured to provide as much support as possible to the communities where it operates via the Andbank Employees Solidarity Association, through its employees and as an institution, with the aim of helping to mitigate the health and economic impact of the crisis.

In these exceptional circumstances, the Group has maintained its financial, economic and social activities, devoting resources and much effort to ensure business as usual, and provide the best possible service to its customers, employees, stakeholders and society in general.

Commitment during the COVID-19 crisis

For Andbank, people's health (employees, customers, suppliers, etc.) is primordial. During the COVID-19 pandemic it has therefore implemented a range of measures to ensure the safety of all and comply with international recommendations. All the measures needed to ensure the safety of our employees were taken right from the start of the crisis, both in Andorra and in the Andbank Group's other subsidiaries. Employees throughout the Group worked from home in an immediate response to the pandemic.

In Andorra, hygiene measures were intensified in branches and workspaces where people worked in person, a protocol was established in the event of employees developing symptoms, and protective materials to prevent contagion were provided. Branch opening hours were modified and office hours reduced, and limits were placed on the numbers allowed to enter, in order to protect both employees and customers.

The Government of Andorra implemented a range of measures to mitigate the impact of COVID-19, such as opening accounts in all the country's banks to collect donations to meet the health and economic costs of the crisis. In a gesture of commitment to the country, Andbank made an initial donation of 100,000 euros and launched an internal campaign with the slogan #*tutambesumes to encourage employees to make individual contributions, which the bank matched, in addition to its initial donation. The Andbank Employees Solidarity Association (ASCA) also participated in this campaign.

With regard to other countries, most employees in Brazil also worked from home to reduce contact between people, and extra hygiene measures were put in place in branches. Measures were also introduced in Panama, Miami, Luxembourg, Spain and the other countries where the Group operates, working from home being the main way of protecting employees.

From the start of the lockdown, and due to the initial uncertainty relating to the financial markets, Andbank decided to hold online conferences in each of the countries in which we operate, using various platforms, to offer our corporate vision of how the markets were being affected by the health crisis. Àlex Fusté, Andbank's Chief Economist, gave over 30 talks attended by more than 2,000 customers and bankers, and sent out daily podcasts summarising the day's events in world markets.

Activities to support customers were organised in many countries, including video recordings, webinars with our top specialists, regular notes and podcasts on markets, and talks on tax matters, investment, analysis and management.

International accolades

Fitch Ratings confirmed Andbank's long-term credit rating of BBB. It revised its outlook from stable to negative in the light of the current climate caused by the coronavirus pandemic, pointing out that Andbank has sufficient margin to emerge from the crisis with its ratings intact. According to Fitch, the bank's prospects are based mainly on its diversified sources of revenues, more so than its domestic competitors, which should allow it to better resist pressures on profitability.

Andbank also received a number of awards in 2020 in recognition of its sound management and innovation:

- Andbank was named Andorran 2020 Bank of the Year by the British journal *The Banker,*
- Best Andorran Private Bank, awarded by PWM and *The Banker,*
- Most solvent Andorran bank, in the Safest Bank Awards 2020, presented by the renowned British journal, *Global Finance,*
- Best online bank of 2020 in Andorra, according to the *International Finance* journal.

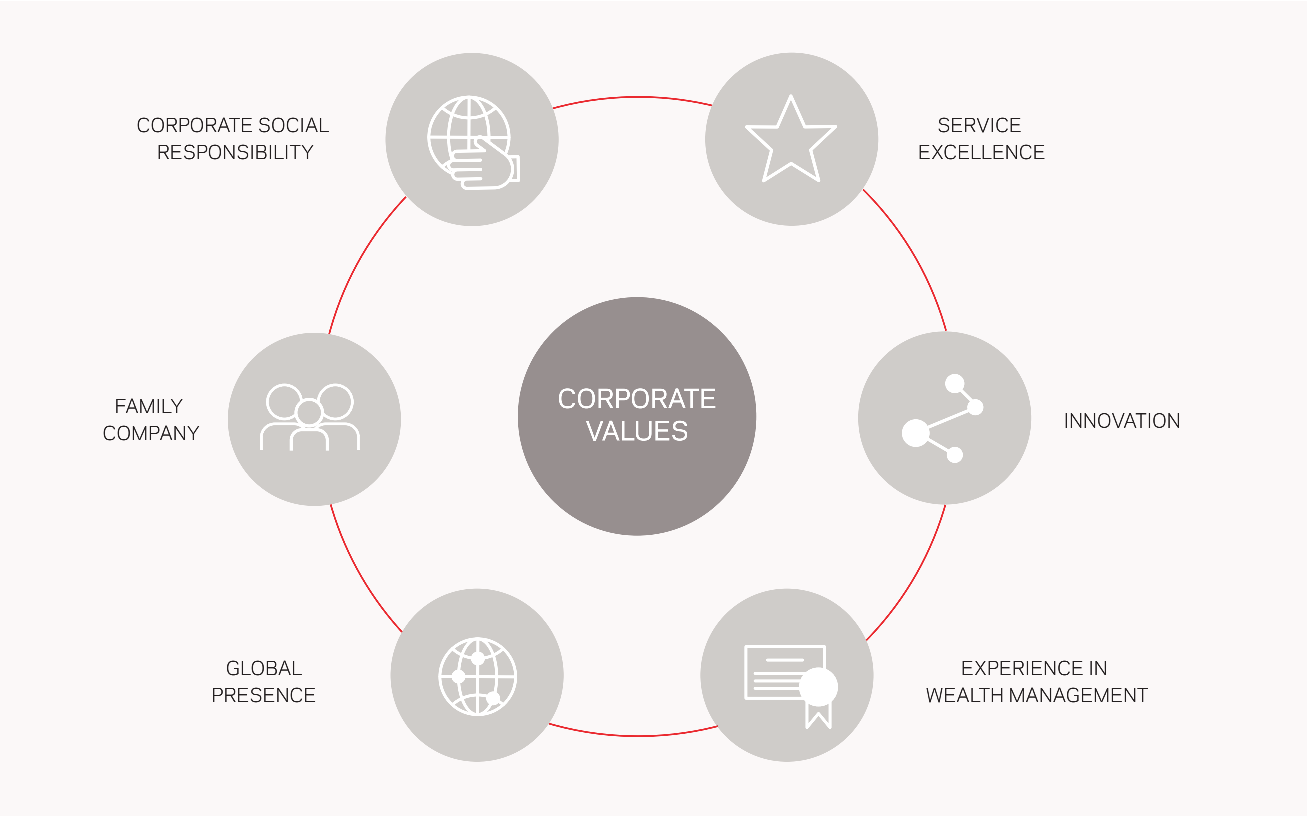
These accolades were awarded in recognition of Andbank's 90 years' experience of private banking, its focus on customers, the resilience demonstrated by the bank in this difficult year, and the ongoing service it has continued to offer its customers.

Our values

Our values are part of our identity; they are our compass for daily life and for our work and are what makes Andbank special.

Through corporate social responsibility, service excellence, our vision as a family business, innovation, a global presence and a specialisation in asset management, we forge the corporate culture of the Andbank core and define our commitment to our customers and employees, delivering the best advice and service.

This culture also offers the Andbank team opportunities for personal and professional growth and development. It is a culture that encourages and recognises continuous improvement and that allows us to prosper and succeed in our strategy.



3. Andbank and its customers

At Andbank we have a wide range of products and services designed by the bank's account managers and specialists, who are constantly searching for ways to offer the solutions that will best suit each person and situation.

We have a number of customer service channels, both face-to-face and virtual, and have invested in technological innovation to improve the customer relationship and swiftly meet customers' demands, at any time and anywhere.

Our goal is to combine the traditional channels with the more innovative ones, striking a balance between technology and proximity, and to maintain a long-term relationship based on personalised service. Content development and technological innovation facilitate access to banking operations through the latest devices, such as smartphones and touch tablets.

During the crisis due to the COVID-19 pandemic, the Government of Andorra approved a range of measures deferring financing operations for affected customers, together with two extraordinary guarantee programmes for companies and businesses, with an initial limit of 130 million and 100 million euros, respectively, to cover working capital needs, taxes, and works to adapt establishments to allow them to open to the public.

Under these two programmes, customers who have received the Government of Andorra guarantee have been granted 12-month credit facilities.

Improvements to protect our customers

1. Investor protection

The bank's commitment to its customers operates along two basic dimensions: long-term value creation and maximum information transparency. The bank therefore has procedures in place to ensure compliance with regulatory requirements in the jurisdictions in which it operates. It also has global policies, which are adapted to the peculiarities of each jurisdiction.

2. Incidents and complaints

The Customer Service Department handles enquiries, complaints and claims from the Quality Department.

Failure to resolve problems and lack of empathy are the main causes of customer attrition in financial institutions. Andbank therefore encourages its customers to report their concerns and complaints and sees to it that they reach the right person or department and are acted upon.

Andbank's first objective is to satisfy its customers. The second objective is to elicit customers' concerns, so as to be able to correct any errors and thus continue to improve. Andbank therefore encourages its customers to report their concerns and complaints and sees to it that they reach the right department and are acted upon.

All customers receive a response and incidents are handled differently, depending on the subject matter or sector concerned and the relative ease or difficulty of resolving the matter.

The following channels and resources are available for customers to submit enquiries and complaints:

1. Face-to-face in a branch;

2. Customer service hotline (+376) 873 333 and (+376) 873 308;

3. Ad hoc complaint form available in all branches;

4. Via the corporate website;

5. By letter or email.

STATISTICS

Number of complaints and enquiries submitted		
2018	2019	2020
Claims 103	Claims 123	Claims 149
Complaints 20	Complaints 26	Complaints 72
Enquiries 20	Enquiries 10	Enquiries 18

Means used		
2018	2019	2020
Letter: 13 %	Letter: 7 %	Letter: 2%
Form: 15 %	Form: 19 %	Form: 1 %
Face-to-face: 54 %	Face-to-face: 44 %	Face-to-face: 61 %
Telephone: 2 %	Telephone: 3 %	Telephone: 2 %
Email: 16 %	Email: 27 %	Email: 34 %

Average response time		
2018	2019	2020
9.5 days	13.5 days	10.30 days

Percent of responses in less than one week		
2018	2019	2020
60 %	43 %	62 %

3. Sustainable products

To integrate the group's corporate social responsibility in the bank's products and services, various socially responsible products have been developed:

Sigma Global Sustainable Impact Fund (GSI)

This fund represents Andbank's commitment to sustainable investment. Launched two years ago, it is a multi-asset investment vehicle which uses ESG (environmental, social and good corporate governance) criteria in its investments. With its base in Luxembourg, it is a multi-asset fund that aims to generate a direct, positive impact (through its investments), as well as a social impact, by allocating 9% of the management fee and 100% of the success fee to finance cancer research projects.

AndVida and AndSalut

Andbank Seguros offers its new life and health insurance products, with increased cover to meet current health care needs. The life and health insurance products offer our customers optimal solutions, as well as completely flexible benefits tailored to their needs, giving them access to the most advanced, highest quality medical care for enhanced well-being.

4. Corporate social responsibility strategy

Corporate social responsibility (CSR) is a key element of the Andbank group's culture. Accordingly, the CSR strategy is based on the group's principles and values, which define Andbank as a customer-oriented institution that is committed to the societies in which it is present.

One such line of action, the group's main corporate social responsibility project, centres on cancer research and the fight against cancer. Andbank therefore collaborates actively with a number of organisations that share those objectives: the Vall d'Hebron Institute of Oncology (VHIO), the Fero Foundation and the 12 de Octubre Hospital (through the CRIS Foundation to combat cancer) in the field of research, and Sant Joan de Déu Hospital, which specialises in the research, cure and treatment of child cancer. These are all pioneering institutions in their field.

Andbank's commitment to cancer treatment and research

The first #tutambesumes charity gala organised by Andorra was attended by over 400 guests and raised 113,276 euros. Half of this amount was donated to child cancer research and the other half to provide financial support for Andorran families with children being treated in Sant Joan de Déu Hospital.

This charity event, supported by the Government of Andorra through the Ministry of Health and the Andorran Health Service (SAAS), and by Sant Joan de Déu Hospital, was hosted by the popular journalist from TV2, Ramon Pellicer, with a performance by international soprano Ainhoa Arteta.

The bank has also supported the Advanced Molecular Diagnosis Programme (DIAMAV) of the Vall d'Hebron Institute of Oncology (VHIO) and the Fero Foundation. The programme offers new treatment choices to cancer patients, including those in the metastasic stage. The project is headed by Dr. Josep Tabernero, director of the VHIO and head of the Medical Oncology Department at Vall d'Hebron University Hospital.

Andbank also organised a breast cancer campaign in partnership with jewellery firm Shiori. Almost 600 bracelets were sold in record time, raising 8,520 euros, which were donated to the Fero Foundation for its work to combat cancer.

Charity Gala #tutambesumes

Andbank and society

The Andbank Group's commitment to society goes beyond its financial contribution and is driven by a deep awareness of its social responsibility. Accordingly, the group supports organisations that work to improve the well-being of Andorran society.

Due to the health crisis, 2020 was a difficult year for promoting and holding cultural, social and sporting events. Nevertheless, some events were organised, both live and online, and

Andbank was able to support a variety of social, cultural and sporting initiatives aimed at expanding and maximising the benefits for society.

COVID-19 research project

Social

- Talks. Our Chief Economist, Àlex Fusté, gave a number of online talks on macroeconomic matters in all the countries where the Group operates.

- Leo Messi Golf Tournament. Collaboration with the Leo Messi Foundation's 3rd Pro Am tournament, held at the Sant Cugat Golf Club to raise money for the Sant Joan de Déu Hospital Paediatric Cancer Centre.

- Support for the clinical research project in the intensive care unit at Nuestra Señora de Meritxell Hospital (Andorran Health Service) in partnership with the Vall d'Hebron Research Institute (VHIR). The research team, co-headed by Dr. Margarit, the head of the service, Dr. Vizmanos and Dr. Alfaro (SAAS) and Dr. Cruz (VHIR), are working to identify inflammatory markers in patients admitted to the ICU with SARS-CoV-2 and their correlation with mechanical ventilation parameters.

- Andorran Family Business. Andbank took part in the 19th Andorran Family Business Forum, which was held online this year, with the theme: "Education: creating value from Andorra".

Castell de Peralada Festival 2020

Culture

- The 43rd Literary Evening organised by the Cercle de les Arts was cancelled, and the presentation of awards postponed to 2021.

- Collaboration with the Castell de Peralada Festival. Andbank continued to contribute to the spread of culture by supporting the festival's excellent music programme, which in 2020 was offered entirely online.

Andbank and sport

The values fostered by youth sport and high-level sport, such as effort, tenacity and perseverance, are values with which Andbank feels fully identified. Although many competitions were cancelled in 2020, we continued to support sports initiatives and entities.

- Andorran Ski Federation (FAE). Andbank sponsored the Andorran Ski Federation's cross-country and freestyle teams. The young competitors Irineu Esteve and Carola Vila achieved excellent results in the events they took part in.

- Manuel Cerqueda Memorial Race. The 31st edition of the traditional veterans' giant slalom was organised by the Andorra Ski Club.

- Andorran Olympic Committee (COA). Andbank has sponsored the COA's activities for more than a decade. Competitions that should have taken place in 2020, such as the Tokyo Olympics, were cancelled. The Games of the Small States of Europe were also postponed to 2025.

Irineu Esteve - Cross-country skiing

- Nordic Festival. Andbank collaborated in this event, in which participants competed in a range of disciplines, including biathlon and cross-country skiing, as well as the Marxa Andorra Fons (Andorran Cross-Country Ski Race).
- La Purito. This cycling tour, organised by Joaquim Purito Rodríguez, had to be postponed to 2021, as the number of inscriptions was greater than expected and exceeded the limit established by the health authorities.
- Andorran Swimming Federation (FAN). Andbank continued to support the federation although competitions were suspended.

Andbank shows solidarity

FAN 2020 Presentation

The Andbank Employees Solidarity Association (ASCA) once again added its charitable efforts to Andbank's solidarity activity and altruistically gave publicity and support to the requests for aid received by the bank. ASCA itself coordinates these projects in Andorra and abroad.

Another Andorran NGO with which Andbank collaborates is AINA, specifically for the publication of the songbook to raise funds for grants to enable children to attend summer camps.

Andbank's international expansion

One of the Andbank group's objectives, within the framework of the strategic plan, is to expand internationally. The bank's commitment therefore extends beyond Andorra and requires maintaining a close relationship and engagement with business and society in all the jurisdictions in which Andbank is present.

Many events programmed for 2020 had to be cancelled due to the pandemic. Nevertheless, some were held in various locations where the Group operates.

Andbank Spain maintained the group's corporate social responsibility strategy with support for cancer research projects such as the STAb cell project at the 12 de Octubre Hospital's immuno-oncology unit (CRIS), and other associations that work to address the needs involved in this illness, such as the AECC and the Aladina Foundation.

It also sponsored the sports grants announced in 2020 by the 'Where is the limit?' motivational content platform in the 9th edition of its WITL awards programme. These grants, which are jointly sponsored by BH Bikes, are aimed at helping amateur athletes achieve their dreams.

More than 1,500 amateur sportspeople have taken part in the 8 editions held to date and over 250,000 euros in grants have been awarded to more than 100 separate projects. Over 120,000 people voted via the website to select the winning project.

In Panama, Andbank supported the 3rd Omar Alfanno Foundation golf tournament, a charity tournament to raise funds for the Foundation's projects to help young, musically talented people without resources to study.

Andbank and the environment

Andbank demonstrates its commitment to the natural environment by implementing various environmental protection measures as part of its business activity, including projects, services and products.

As a bank, our activity does not generate any direct material risk for the environment, but we believe that, given our size and influence in society, we must show a commitment to our environment.

The bank has carried out various environmental management initiatives, including both materials and energy management, especially in Andorra. These initiatives are aimed at reducing:

- Paper consumption;
- Electricity and diesel oil consumption;
- Waste generation.

To reduce this impact and meet targets, several initiatives have been launched and their implementation and progress have been monitored:

- Reducing paper use and promoting digital formats (correspondence with customers, advertising, etc.);
- Waste separation (batteries, glass, plastic and cardboard);
- Reducing the amount of printing and printing double-sided and in black and white (printers have been replaced);
- Promoting the use of digital channels and new technologies.

Materials

The main materials consumed in the bank are paper and toner. The reduction of toner consumption has continued with the installation of new printers. The campaign to use lower grammage paper is also continuing.

Materials	2019	2020
Total paper consumed	11 t	9 t
Total consumption A4	10.880 kg	9.750 kg
Total consumption A3	312 kg	290 kg
Total consumption envelopes	700 kg	650 kg

The figures for waste generated, recycled and donated are as follows:

Waste generated	2019	2020
Recyclable materials separated (t/kg)	215 kg	200 kg
Waste taken to landfill	580 kg	450 kg

Waste recycled		
Toner cartridges sent for recycling, with certificate	460 kg	450 kg
Paper	23.500 kg	21.200 kg
Batteries	55 kg	45 kg
Plastic caps	100 kg	98 kg

The energy sources Andbank uses are diesel oil and electricity, which are used both in the corporate headquarters and in the branches in Andorra.

The common areas in the corporate headquarters building and the car park and staircases have a system of motion sensors, which is used to keep lights turned off when nobody is there, so as to save electricity.

Energy consumption in 2020 fell in general, due to the adoption of home working.

Energy	2019	2020
Total electricity consumed	3,504,235 kWh	3,405,035 kWh
Electricity consumed/ employee	10,985 kWh	10,057 kWh
Total diesel oil consumed	188,000 kWh	239,869 kWh
Diesel oil consumed/ employee	589 m³	708 m³

Water	2019	2020
Total water consumed	6,610 m³	4,646 m³
Water consumed/ employee	20,7 m³	13,7 m³

07 / The Andbank team

The Andbank Team

The Andbank group ended the year with a total workforce of 1,091 employees, 3.41% more than in 2019.

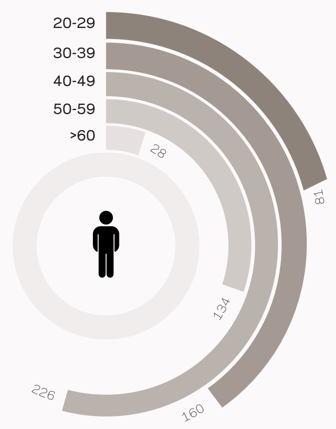
Of that total, 306 people work in the corporate headquarters in Andorra and 785 in the group's various international subsidiaries.

Gender, age and length of service

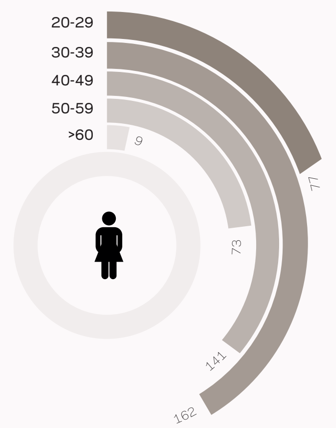
The workforce is made up of 462 women and 629 men, with an average length of service of more than seven years. It is notable that the number of women in the workforce increased by 4.52% in 2020, while the number of male employees rose by 2.61% compared with 2019.

	Men		Women		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
People	629	613	462	442	1091	1055
Average age	42.87	42.35	40.12	40.4	41.71	40.53
Average length of service	7.40	6.90	7.36	6.85	7.38	6.88

Men



Women



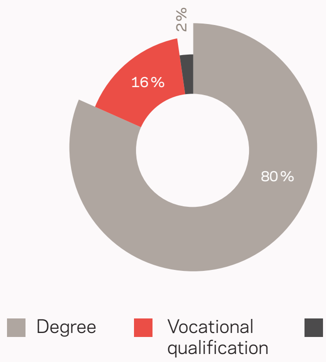
The average age of the team is 42, with the 40-49 age group being the most highly represented in the Group, accounting for 34% of the total workforce.

Characteristics of the Andbank team

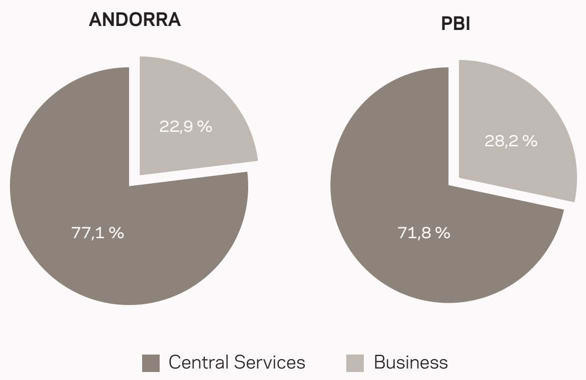
At present, the group's workforce includes 29 different nationalities, so diversity is a characteristic of the Andbank team.

Though relatively young, with an average of age of 40-42 years, our team is highly qualified, professional and dynamic. Almost 80% of the Group's workforce have an advanced university degree.

Employees by level of education



Employees by division



Developing talent

Today, more than ever, Andbank's employees are our most valuable asset. We therefore stress the importance of developing the best human resources, establishing and strengthening the commitment between our employees and our bank, focusing on people as well as results. Keeping our professional knowledge constantly up to date is vital for developing employees' skills and careers, while ensuring a better service for customers.

Andbank has a range of training programmes including general courses and specific programmes for particular groups or countries, some mandatory and some optional, with face-to-face, online and blended learning options.

In 2020, reflecting the organisation's strategy concerning compliance with current standards, training focused mainly on the Business and Compliance areas, and the following programmes:

European Investment Practitioner (EIP) and European Financial Advisor certificates from EFPA España

With MiFID II regulations coming into effect in the Principality of Andorra during 2021, training was provided to employees to prepare for the European Investment Practitioner (EIP) and European Financial Advisor certificates offered by EFPA España. This enabled employees, mostly from the Business Area, to obtain recognised European certification validating their knowledge in financial information and advice, in accordance with the ESMA guidelines (in Spain, the CNMV Technical Guide).

A total of 31 people enrolled in the EIP course and 9 people enrolled in the EFA course.

Total no. of training hours with IEF: 336 hours per student

Total no. of training hours with RWB: 2 hours per student

FIBA

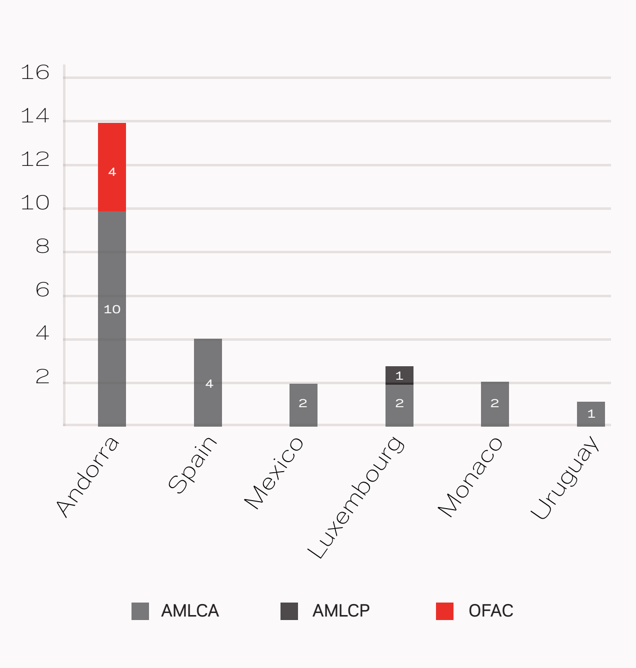
FIBA's AMLCA certification programme provides a robust foundation of AML/CFT knowledge covering all sectors of the financial services industry, with a combination of case studies, real-life examples and theory. In addition to AMLCA training, this year managers/directors with at least three years' experience in the role also received FIBA AMLCP training.

Finally, three employees at the bank's headquarters in Andorra attended FIBA's specialised course on the U.S. Office of Foreign Assets Control (OFAC). The OFAC Course explores the laws and regulations under which sanctions programmes are created, providing the tools needed to mitigate the risks of doing business with persons, entities or jurisdictions that threaten the health and stability of the financial system.

Total no. of training hours with AMLCA: 100 hours per student

Total no. of training hours with AMLCP: 30 hours per student

Total no. of training hours with OFAC: 15 hours per student



In 2021, employees in Andorra, Luxembourg, Spain, Monaco, Mexico and Uruguay will receive training in both types of certification.

Ongoing education and training

To **facilitate** access to training and to manage its training programmes, Andbank uses two online training platforms, the Andbank Campus and GoodHabitz, the latter of which is new in 2020.

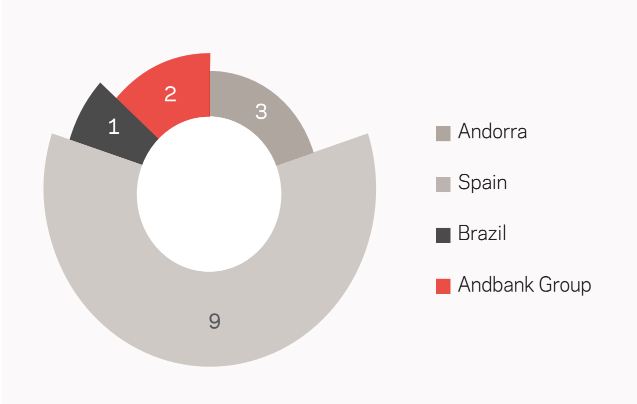
Andbank Campus

Through the Campus, we aim to give every person who works at Andbank the opportunity to develop his or her potential. 15 training courses were provided in 2020 related to the Compliance and Business areas, 9 of which were specifically aimed at employees in Spain, where training was also provided to the network of agents.

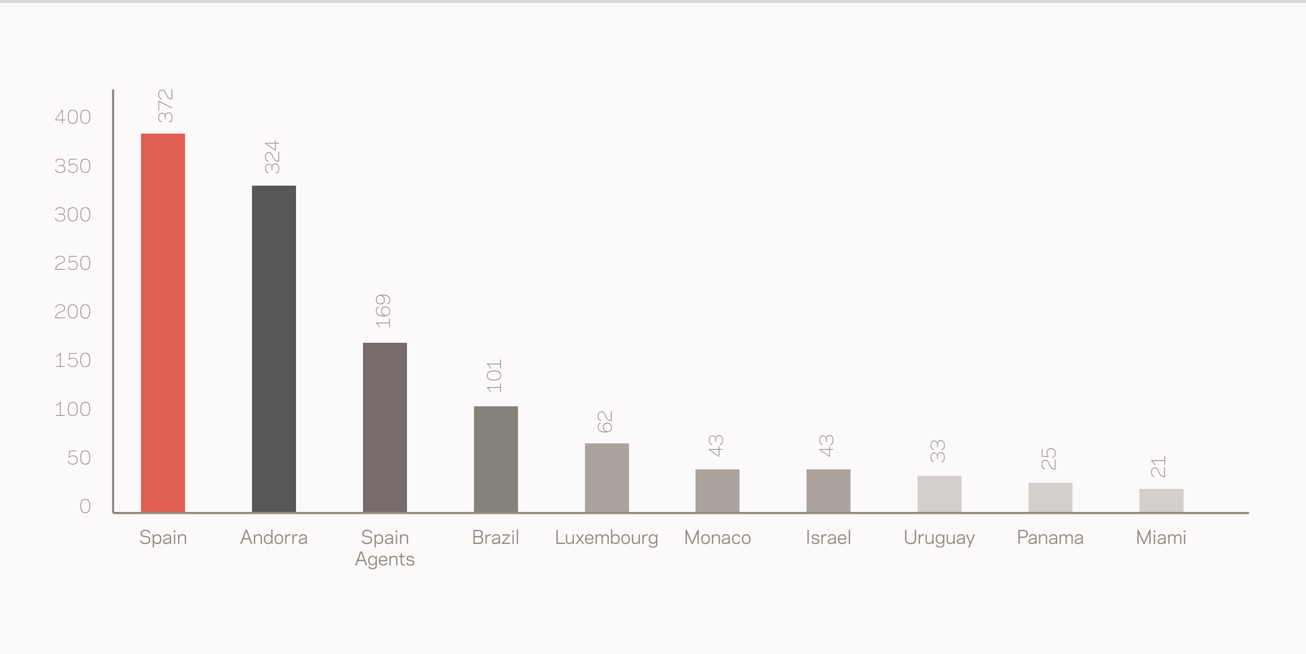
The main features of the Andbank Campus are as follows:

- Virtual campus available in two languages: Spanish and English.
- Teaching materials translated into several languages: Spanish, Catalan, Portuguese and English.
- Both mandatory and voluntary courses for different employee groups in different subsidiaries.

Number of courses per subsidiary



Number of attendess per subsidiary



Campus courses

Subsidiary	Courses	Hours	Employees enrolled
Spain	Arcano Capital XII	1	278
	Criminal risk prevention systems	1	
	Urizen Ventures Continuity Global SCR	1	
	Arcano Secondary Fund XIV	1	
	Atalaya, investment fund in holiday hotels	1	
	Everwood	1	
	Think Bigger Fund I	1	
	Cheyne European Strategic Value Credit II	1	
	Ongoing training for staff who provide information and advice (MiFID II)	30	166
Andorra	MiFID Basic 2020	1	94
	AML Andorra	3	303
Brazil	AML Brazil	2	102
Andbank Group	Cybersecurity	1	727
	Cybersecurity	1	121

GoodHabitz

In order to train and develop staff, encouraging self-learning and the democratisation of learning, Andbank has signed up to the GoodHabitz method, an online training platform designed to inspire employees to be better and happier in the jobs, based on a disruptive online learning technique.

The platform was introduced in March 2020 with an original and innovative communication campaign aimed at getting employees involved and engaged with this latest generation, efficient, adaptable and lively methodology.

The main features of GoodHabitz are:

- Motivational and engaging content: with new or updated courses every month.
- Personal choice: the platform offers an extensive catalogue of courses employees can choose from, with a tool called GoodScan that uses a quick 10-minute test to produce a report containing recommended courses for each individual based on the needs detected.
- Available in seven languages: this covers almost all the languages spoken in Andbank.
- Personal coach: helps people to get the best out of the platform, helping with learning and technical issues.
- Different categories: Communication and languages, personal skills, health and safety, business development, productivity, team management, etc.
- Twelve formats: blended to guarantee assimilation of the content and make the courses more lively.

538 invitations were issued in 2020, of which 100% are still active today. Employees have taken a total of 676 hours training, an average of 1 hour 30 minutes per person.

The most popular GoodHabitz courses are:

- Social intelligence: taking responsibility in social situations.
- Teleworking and remote teamwork: learn the basics of distance working.
- Keep your resolutions: learn why it is so difficult to change human behaviour.

The most popular category, at 38%, is that of personal skills, followed by communication and languages (18%), and finally, health and safety (14%).

In general, employees are satisfied with the GoodHabitz courses, giving them a rating of 87/100 (almost 5 stars) per activity.

Andbank Performer

This is Andbank's performance and development assessment system, a qualitative model that enables us to evaluate each employee's skills and attitudes. The design of the system takes into account the specific nature of the Business Area and the central services areas, adapting competences and profiles to their different circumstances and needs, enabling us to work on employees' technical and management potential and linking performance to a development and improvement plan.

The main features of Andbank Performer are:

- It is supported by a technological platform that allows global, streamlined and user-friendly management.
- It distinguishes between eight skills profiles within each category: managers, private bankers and technical staff.
- It contains 29 defined competences with four performance levels.

The US subsidiary was added to the Andbank Performer process in 2020, and the self-assessment phase launched in the previous year was further consolidated. In addition, maintaining the group's commitment to its employees, with a focus on improving processes that helps us to direct organisational performance, a range of specific initiatives were introduced such as training for managers on providing feedback and training for all employees on how to ask for opinions.

Andbank Performer 2020 will be launched in the first half of 2021 in the group's parent company and main subsidiaries, involving almost 80% of the workforce in the annual performance assessment process.

Andbank Experience

Every year we engage in projects related to our commitment to our employees and to society.

Andbank Trainee Programme

An established internship programme that has operated successfully since 2015, providing work experience to young people of many nationalities and to the children of employees.

Through the Andbank Summer Trainee Programme, Andbank offers students the opportunity to do internships, so that they can learn on the job and gain work experience. These paid internships can be done in any department of the bank and the chosen candidates are given specialised mentors in each area.

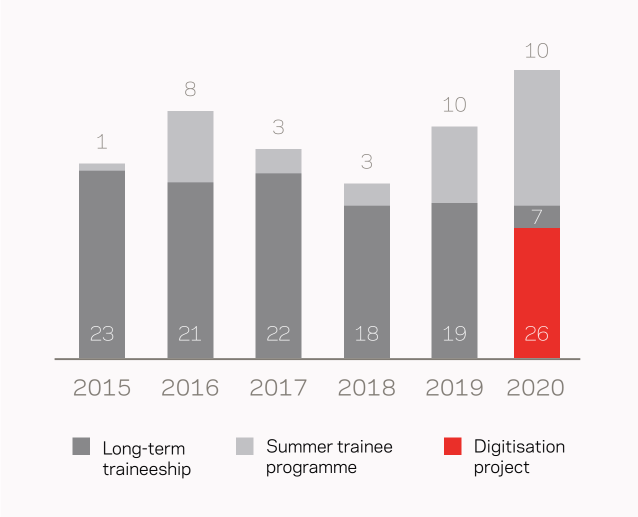
In summer 2020, a total of 7 young people joined corporate services in Andorra as interns. The internships took place in bank branches and in the Date Governance Office.

Andbank Trainee Digitisation

One of Andbank's most ambitious projects began in 2020, that of digitising its documents. This project has produced a document database which includes a description of each document and a digital image, building up a catalogue which can be accessed via the internet from anywhere in the country. The project began in July, employing 17 young people in the Business, Legal and Risk areas. 9 of these young people continue working with us, in central services and in the branch network. A total of 26 young people took part in the project.

Andbank Trainee Programme - long-term scholarships

In 2020, a total of 10 young people joined Andbank on the long-term Scholarships Programme. These were people who had completed a higher vocational certificate or a bachelor's or master's degree and were offered the opportunity to acquire experience in the world of banking. They were assigned to the Operations, Service Desk, Human Resources and IT teams and to Branches.



Wellbeing, health and work-life balance

One of the bank's main aims is to have satisfied employees who are proud to work for Andbank. We therefore provide a range of measures within the framework of policies aimed at facilitating work-life balance, the organisation of work and professional growth.

Andbank has a social flexibility programme bringing together a number of practices such as flexible working hours (a policy which was reformulated in 2020 to allow employees to shift from full-time to part-time contracts) internal relocation, sabbaticals and other personalised solutions.

Other measures have been introduced with regard to flexible working hours, special terms for loans, services and products, health insurance for employees and their families, training and promotion plans, etc.

The GoodHabitz training platform encourages a culture that balances the professional life and well-being of staff, with campaigns to promote and recommend content that contributes to aspects such as personal well-being, mindfulness and positive thinking.

Health and safety

To protect employees against COVID-19, a Users Supervision and Help Centre was set up that, working with the Health and

Safety Committee, leads the implementation of measures and facilitates communication throughout the organisation.

- Establishment of a COVID-19 protocol following the guidelines issued by the health authorities.
- Distribution of the necessary protective materials to the entire workforce.
- Intensified cleaning of all premises.
- Limits on the numbers occupying offices and meeting rooms.
- Remote working enabled for all employees at critical moments, with a gradual return to office working with social distancing, shift work, work-life balance measures and the identification of critical staff.
- Internal and customer communication plan.
- Training plan for employees.
- Suggestions box in the Users Supervision and Help Centre.

Another initiative launched during the COVID-19 crisis was the PulseCovid survey carried out in June to collect employees' opinions. 86% of the workforce took part in the survey, which examined how the crisis had been measured in terms of the measures adopted, communication, the actions taken by the management team, middle management and colleagues, remote working, safety, and priorities for the future.

Working from home

Working from home was the key phrase of 2020. With a major effect on the organisation, employees were able to work from home efficiently and safely. This represented a major advance and has become an extremely useful tool for our business, replacing the concept of "obligation" with that of "responsibility", giving employees greater freedom and adapting work to employees' daily lives.

The main measures adopted in order to make it possible are:

- The establishment of the Users Supervision and Help Centre.
- Increasing the number of VPN licences by 50% to provide remote access to meet the needs of the entire group.
- Acquisition of more than 50 laptops, made available on a selective basis to critical employees and those without personal resources.
- Increasing the communications bandwidth x10 to ensure all employees can work at the same time.
- Development of corporate audio and video conference solutions, setting up more than 20 video conference rooms (MS Teams).

A campaign was carried out on the GoodHabitz platform to promote the "Teleworking and remote teamwork" course to give employees tools and tips to help them adapt to this new way of working and, above all, ensure it works. The course was one of the most appreciated by employees, putting it in third place in the platform's ranking, with 82 units viewed.

Works Committee

Andbank has led the way in the country's banking sector with the creation of a Works Committee with 9 members selected from 13 candidates who each needed to obtain 10% of the votes cast by employees to win their seat on the committee.

The purpose of this Committee is to represent the employees and defend their rights and interests within the company. It thus promotes good understanding and transparency through a direct communication channel which allows both sides to express their concerns and demands in order to find the right balance and work on any improvements needed.

08 / Governance structure

Governance Structure

Chairmanship

Manel Cerqueda Donadeu
Chairman

Oriol Ribas Duró
Deputy

Board of directors

Carmen Aquerreta Ferraz
Director

Manel Cerqueda Díez
Director

Javier Gómez Acebo Saenz de Heredia
Director

Jorge Maortua Ruiz-López
Director

Manel Ros Gener
Director

Josep Vicens Torradas
Director

Sergi Pallerola Gene
Director

Pablo García Montañés
Secretary (no Director)

General Management

Ricard Tubau Roca
CEO

Josep Xavier Casanovas Arasa
Deputy Chief Executive Officer

Santiago Mora Torres
Deputy Chief Executive Officer
Investment Area

Josep M. Cabanes Dalmau
Chief Andorran Business Officer

Pedro Cardona Vilaplana
Chief IT Officer

Jordi Checa Gutés
Chief Resources Officer

Ivan López Llauradó
Chief Compliance Officer

Manuel Ruiz Lafuente
Chief Audit Officer

Jordi Iglesias
Chief Risk Officer

09 / Andbank in the world

Andbank
in the world

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