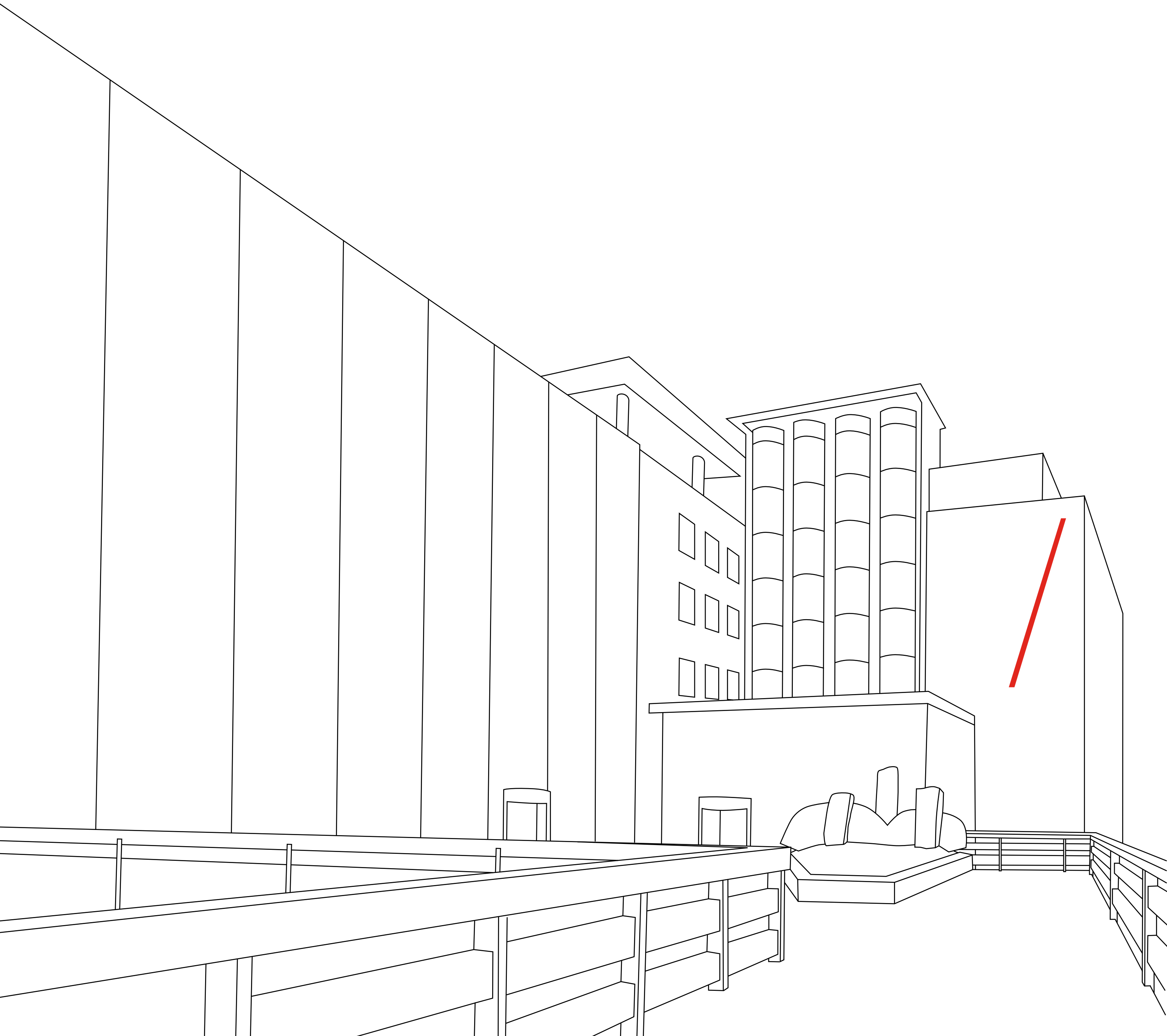
ANDBANK Private Bankers / 90 Years

ANNUAL REPORT 2021



Index

00 / Key Figures

Andbank Group key figures

Andbank is a family-run private bank founded in 1930.

Our goal is to be recognised in the reference markets of Europe and Latin America as a leader in the wealth and affluent segments for our wealth management based on a strategy of long-term value creation and a commitment to innovation.

1,227 Professionals

33 Nationalities

6 Banking licenses

6 Wealth managers

3 Financial brokerage agencies

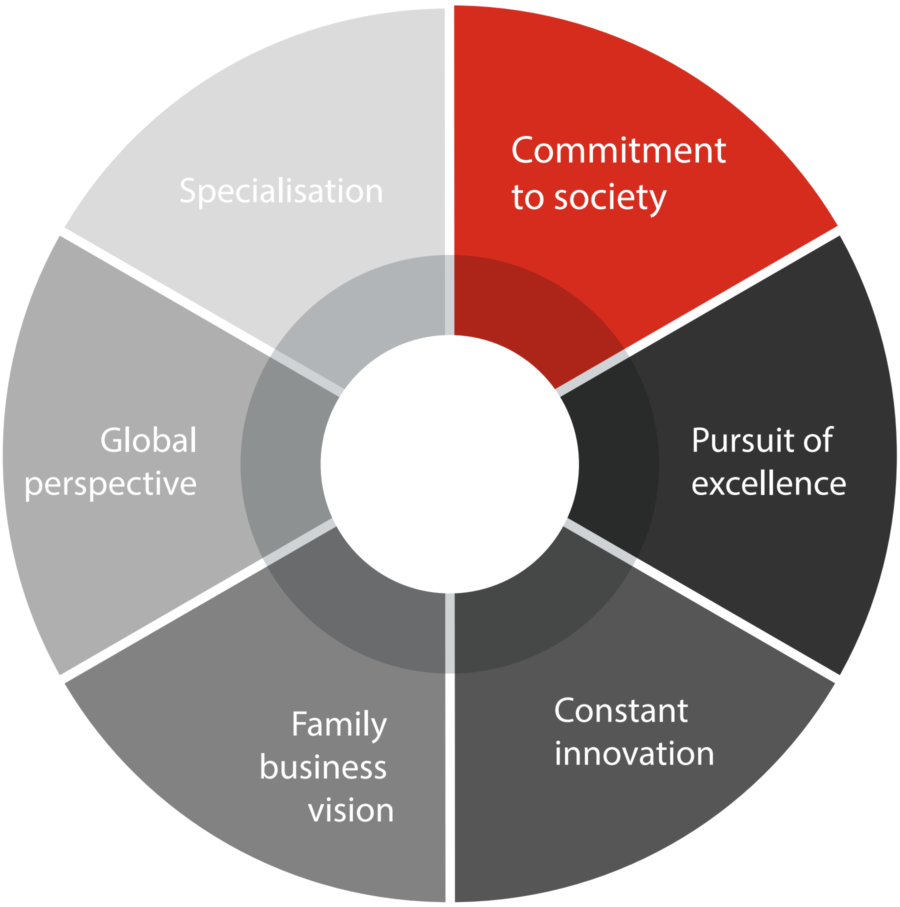
3 Investment advisers

“ Preserving and growing our clients' wealth is our only goal.

Andbank Values

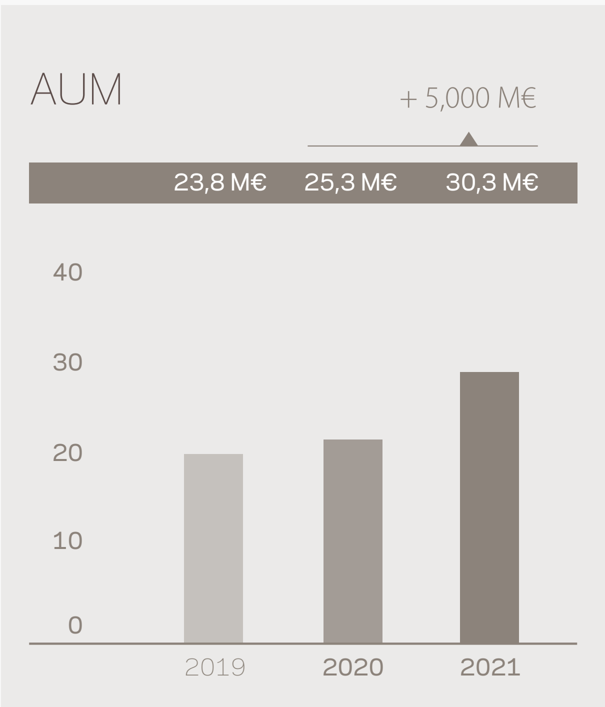
“

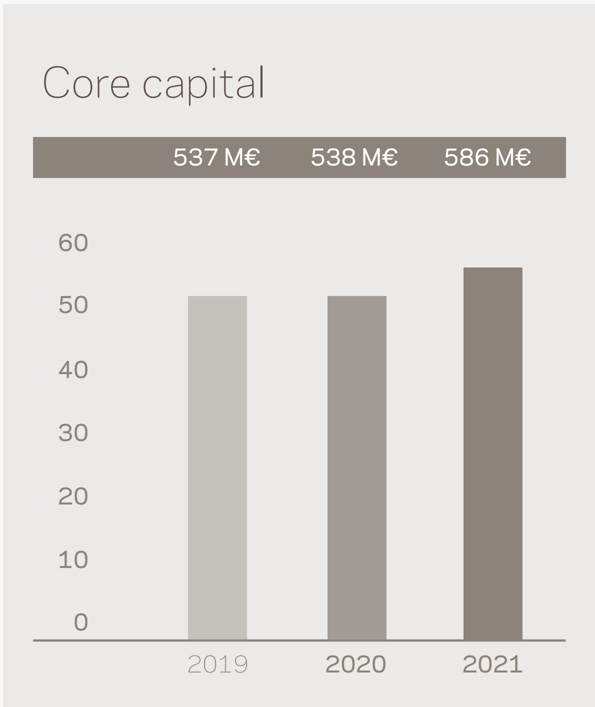
Our values
define us as the entity we are,
competitive and demanding in
research of excellence.



Key figures

32,7 M€ **Business volume**	30,3 M€ **AUM**
27 M€ **Net profit**	17.17 % **TIER 1**
586 M€ **Core capital**	189.50 % **Liquidity LCR**
1.98 % **NPL Ratio**	4.71 % **ROE**
BBB **Fitch ratings**	11.66 % **ROTE**





01 / Letter from the Chairman

Letter from the Chairman

Manel Cerqueda Donadeu

Financial year 2021 was like the previous year in that it was full of difficulties at the social, public health and economic level. Once again, the year was dominated by the pandemic, with the emergence of successive COVID-19 variants and strains, the threat of renewed lockdowns, and uncertainty as to the real effectiveness of the mass vaccination programmes, along with all that this entailed for the global economy. At the country level, however, knowing that we cannot stand still, we have been steadily working towards what already appears to be the “new normal.”

In 2021, we gradually recovered our level of activity, especially in the countries that had fewer mobility restrictions. In a sense, we have learned to live with the pandemic, in a context of increasing pressure on commodity prices, especially energy, and inflation.

During the year, starting with the emerging markets, central banks began a process of monetary policy normalisation, with the Fed announcing rate hikes and the ECB stating its intention to end its asset purchase programme.

Looking back on the year from the financial markets point of view, the returns on risky assets have been both extraordinary and disparate. Alongside increases of up to 20% or more in most US indices and many European stock exchanges, we have seen falls in emerging markets. The outlook for fixed income investment has been more discouraging, with losses in most asset classes, the sole exception being High Yield. In currencies, it was a good year for the dollar but even more so for the yuan, which, despite poor Chinese equity performance, regulatory noise, the slowdown and Evergrande, beat the dollar in terms of return.

This is the scenario we were operating in in 2021, which was a very special year for us: the Andbank Group’s 90th anniversary. Almost one hundred years of commitment to banking and wealth management, a record of which we are very proud. As an institution, we have a solid track record of success, built on specialisation, closeness to customers, and hard work. Coupled with effort and determination, taking successes and failures in our stride, this has carried us along the path to where we are today.

In 2021, moreover, we renewed our management bodies (with a new group general manager and the appointment of new corporate officers) and successfully completed our 2018-2021 strategic plan, with which we laid the groundwork for the 2022-2024 plan now started, with great impetus.

Thanks to the excellent performance and dedication of the 1,200 professionals who make up Andbank, we ended 2021 with the highest organic growth in our 90-year history, reaching a business volume of 32.7 billion euros, up 20.5%. This figure represents an increase of 5 billion euros.

Assets under management reached 30,280 million euros, up 19.8%, and group profit was 27 million euros.

Turning to our international presence, over the past year we consolidated our position in the 11 countries in which we operate, most notably in Spain, where we were especially active in 2020 in terms of corporate transactions, with the acquisition of Esfera Gestión and the private bank Bank Degroof Petercam Spain.

The main indicators testify to the strength of our business: last year, ROE reached 4.71% and ROTE (return on tangible equity), 11.66%. Through efficient management we boosted our own funds to 586 million euros, raising our capital and liquidity ratios above the levels required by the Basel III accords and above the European average.

The Tier 1 capital ratio (phased in) was 17.17% on a consolidated basis, the liquidity coverage ratio (LCR), 189.50%, well above the minimum of 100%, and the non-performing loans (NPL) ratio, 1.98%.

We have now embarked on the new strategic plan, with deep satisfaction and enthusiasm. Given the challenges we face in today's world – economic, financial, public health, energy and geopolitical challenges – we remain cautious and are well aware that, without losing our essence, we must continue to innovate in services, investment proposals, customer relations and business vision.

In this respect, we are in a privileged position in the private banking industry, with 90 years of experience behind us, maintaining the spirit of innovation and building the know-how of new initiatives such as MyInvestor, Andbank Spain's neobank, which has El Corte Inglés Seguros and AXA España as minority partners and ended last year with turnover of 1.8 billion euros.

Our greatest satisfaction as a group is to be able to give back to society from the value we generate, and to support cancer research initiatives, which is one of the main themes of our corporate social responsibility. Last year, once again, through our Global Sustainable Impact (GSI) fund, we had the honour of collaborating in research projects with the Pediatric Cancer Center in Sant Joan de Déu, the FERO Foundation and the CRIS Foundation against Cancer, as well as other organisations working to support disadvantaged groups.

Throughout 2022 we will continue this line of work, with an additional effort to support Ukrainian society in the aftermath of Russia's invasion. Besides the human drama, the year is clearly going to be defined by this issue, which signals the start of an era of uncertainty in the social, political and economic spheres.

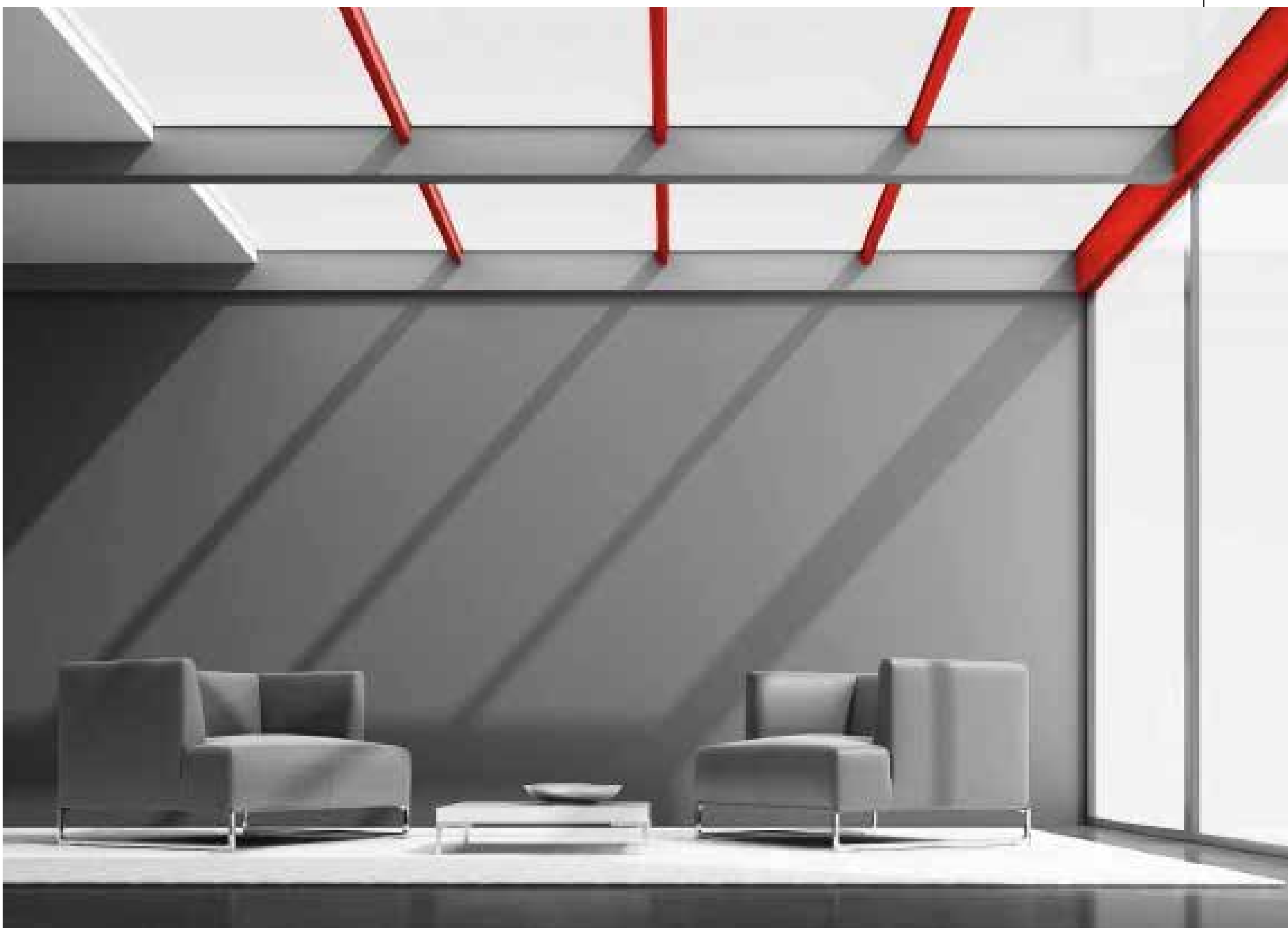
We do not know how or when the war will end, but we do know it will bring strategic changes in the West, particularly in the field of energy and defence in Europe. The spread of the conflict and its multiple impacts on growth and inflation via commodities have sparked intense volatility in the markets and make any macroeconomic forecast unreliable. The future scenario is undoubtedly one of lower growth and higher inflation.

Once again we face months of tension and uncertainty and can only hope, from the bottom of our hearts, for a speedy resolution to the conflict.

Meanwhile, we continue to work to the highest ethical and professional standards in order to earn the trust of our customers, who are the ones we work for, and to help create a better society.

On behalf of the Andbank Group's shareholders and Board of Directors, I would like to thank our customers for their trust and loyalty and the bank's professionals for their hard work, determination to excel, and commitment.

02/ Auditor Report



Auditor Report

Deloitte.

Deloitte Andorra Auditors i Assessors, S.L.
Bonaventura Armengol, 10
Ed. Montclar, Bloc 1
AD500 Andorra la Vella

Tel: +376 800 380
Fax: +376 800 381
www.deloitte.com

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 2021, 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 2021, 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 Information

The Parent's directors are responsible for the other information. The other information comprises the consolidated annual report for 2021 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.

Deloitte Andorra Auditors i Assessors, S.L. Inscrita en el Registre de Societats Mercantils d'Andorra. Núm. Registral de la Societat 13298, Llibre S-186, Foli 81-90, N.R.T.: L-708451-A.
Domicili Social: Bonaventura Armengol, 10. Edifici Montclar, Bloc 1. Planta 1era. Despatx 4. AD500 Andorra la Vella.

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 2022

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

INDEX FOR THE CONSOLIDATED ANNUAL ACCOUNTS

APPENDIX

Statement of financial position

		Thousands of euros
Assets	**31/12/2021**	**31/12/2020**
Cash, cash balances at central banks and other demand deposits (note 5)	**1,079,398**	**1,302,133**
Cash on hand	17,642	16,682
Cash balances at central banks	779,664	989,194
Other demand deposits	282,092	296,257
Financial assets held for trading (note 6)	**221,918**	**189,958**
Derivatives	119,575	108,897
Equity instruments	778	2,034
Debt securities	101,565	79,027
Non-trading financial assets mandatorily at fair value through profit or loss (note 7)	**9,275**	**8,990**
Equity instruments	9,275	8,990
Financial assets designated at fair value through profit or loss (note 8)	**13,333**	**13,619**
Debt securities	13,333	13,619
Financial assets at fair value through other comprehensive income (note 9)	**330,717**	**318,276**
Equity instruments	8,750	13,880
Debt securities	321,967	304,396
Financial assets at amortised cost (note 10)	**3,512,148**	**2,834,770**
Debt securities	556,656	514,095
Loans and advances	2,955,492	2,320,675
Derivatives - Hedge accounting (note 11)	**2,955**	**4,089**
Fair value changes of the hedged items in portfolio hedge of interest rate risk (note 11)	**2,731**	**5,976**
Investments in subsidiaries, joint ventures and associates (note 12)	**3,138**	**3,243**
Assets under insurance and reinsurance contracts	**5,108**	**3,052**
Tangible assets (note 13)	**131,551**	**131,567**
Property, plant and equipment	114,823	118,844
Investment property	16,728	12,723
Intangible assets (note 14)	**290,880**	**288,876**
Goodwill	160,899	158,307
Other intangible assets	129,981	130,569
Tax assets (note 15)	**32,354**	**25,281**
Current tax assets	4,762	7,102
Deferred tax assets	27,592	18,179
Other assets (note 16)	**92,620**	**77,211**
Non-current assets and disposal groups classified as held for sale (note 17)	**16,611**	**20,015**
Total Assets	**5,744,737**	**5,227,056**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2021.
The financial statements for 2020 are also included for comparative purposes (see note 2.d).

Statement of financial position

Liabilities	31/12/2021	31/12/2020
		Thousands of euros
Financial liabilities held for trading (note 6)	**57,847**	**74,299**
Derivatives	57,847	74,299
Financial liabilities designated at fair value through profit or loss	**-**	**-**
Financial liabilities measured at amortised cost (note 18)	**4,965,488**	**4,488,959**
Deposits	4,477,896	3,997,436
Debt securities issued	343,845	374,135
Other financial liabilities	143,747	117,388
Derivatives - Hedge accounting (note 11)	**4,757**	**6,268**
Fair value changes of the hedged items in portfolio hedge of interest rate risk (note 11)	**171**	**-**
Liabilities under insurance and reinsurance contracts	**5,108**	**3,052**
Provisions (note 19)	**26,322**	**20,384**
Tax liabilities (note 15)	**13,496**	**13,247**
Current tax liabilities	5,067	4,088
Deferred tax liabilities	8,429	9,159
Share capital repayable on demand	**-**	**-**
Other liabilities (note 16)	**83,312**	**84,657**
Liabilities included in disposal groups classified as held for sale (note 17)	**1,508**	**-**
Total Liabilities	**5,158,009**	**4,690,866**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2021. The financial statements for 2020 are also included for comparative purposes (see note 2.d).

Statement of financial position

		Thousands of euros
Capital and reserves	**31/12/2021**	**31/12/2020**
Capital (note 20)	**83,441**	**78,842**
Paid up capital	83,441	78,842
Share premium (note 20)	**103,842**	**73,441**
Equity instruments issued other than capital (note 20)	**34,700**	**34,800**
Other equity instruments issued	34,700	34,800
Other equity	**-**	**-**
Accumulated other comprehensive income (note 21)	**(40,257)**	**(34,511)**
Items that will not be classified to profit or loss	(16)	75
Fair value changes of equity instruments measured at fair value through other comprehensive income	(16)	75
Items that may be reclassified to profit or loss	(40,241)	(34,586)
Foreign currency translation	(35,853)	(35,562)
Hedging derivatives. Cash flow hedges reserve (effective portion)	(679)	(529)
Fair value changes of debt instruments measured at fair value through other comprehensive income	(3,709)	1,505
Retained earnings (note 20)	**461,559**	**455,963**
Revaluation reserves (note 20)	**-**	**-**
Fair value reserves	**-**	**-**
Other reserves (note 20)	**(88,263)**	**(105,242)**
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates	59,230	41,040
Other	(147,493)	(146,282)
(-) Treasury shares	**(2,307)**	**(1,927)**
Profit or loss attributable to owners of the Parent	**27,030**	**29,470**
(-) Interim dividends	**-**	**-**
Minority interests (non-controlling interests)	**6,983**	**5,354**
Accumulated other comprehensive income	6,983	5,354
Total equity	**586,728**	**536,190**
Total equity and liabilities	**5,744,737**	**5,227,056**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2021.
The financial statements for 2020 are also included for comparative purposes (see note 2.d).

Consolidated Income Statements

		Thousands of euros
Income statement	**31/12/2021**	**31/12/2020**
Interest income (note 24)	**46,783**	**41,866**
Financial assets held for trading	2,504	1,692
Financial assets designated at fair value through profit or loss	186	-
Financial assets at fair value through other comprehensive income	4,275	4,358
Financial assets at amortised cost	39,818	35,799
Derivatives - Hedge accounting, interest rate risk	-	14
Other assets	-	3
(Interest expenses) (note 24)	**(16,156)**	**(20,582)**
(Financial liabilities measured at amortised cost)	(14,244)	(18,649)
(Derivatives - Hedge accounting, interest rate risk)	(413)	(201)
(Other liabilities)	(1,499)	(1,732)
(Expenses on share capital repayable on demand)	**-**	**-**
Dividend income (note 25)	**192**	**118**
Financial assets at fair value through other comprehensive income	192	118
Investments in subsidiaries, joint ventures and others accounted for using the equity method	-	-
Fee and commission income (note 26)	**223,223**	**182,046**
(Fee and commission expenses) (note 27)	**(81,649)**	**(57,758)**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (note 28)	**2,669**	**6,926**
Financial assets at fair value through other comprehensive income	2,592	6,926
Financial assets at amortised cost	77	-
Gains or losses on financial assets and liabilities held for trading, net (note 28)	**38,375**	**48,571**
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net (note 28)	**(24)**	**3,075**
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net (note 28)	**(354)**	**104**
Gains or losses from hedge accounting, net (note 28)	**(378)**	**(270)**
Exchange differences (gain or loss), net (note 29)	**4,834**	**5,463**
Gains or losses on derecognition of non-financial assets, net	**329**	**3,197**
Other operating income (note 30)	**10,282**	**8,726**
(Other operating expenses) (note 30)	**(10,612)**	**(6,278)**
Total operating income/expenses, net	**217,514**	**215,204**
(Administrative expenses) (note 31)	**(155,576)**	**(151,852)**
(Staff expenses)	(104,586)	(99,272)
(Other administrative expenses)	(50,990)	(52,580)
(Amortisation and depreciation)	**(29,292)**	**(28,482)**
(Property, plant and equipment) (note 13)	(17,320)	(16,346)
(Investment properties) (note 13)	(200)	(156)
(Other intangible assets) (note 14)	(11,772)	(11,980)
Modification gains or losses, net	**-**	**-**
(Provisions or reversal of provisions) (note 32)	**(16,918)**	**(873)**
(Commitments and guarantees given)	(6)	16

Income statement	31/12/2021	31/12/2020
		Thousands of euros
(Other provisions)	(16,912)	(889)
(Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss) (note 33)	**2,337**	**682**
(Financial assets at fair value through other comprehensive income)	12	(84)
(Financial assets at amortised cost)	2,325	766
(Impairment of reversal of impairment on investments in subsidiaries, joint ventures and associates)	**(47)**	**140**
(Impairment or reversal of impairment on non-financial assets) (note 34)	**(2,668)**	**(516)**
(Property, plant and equipment)	(628)	(255)
(Other intangible assets)	(1,735)	(243)
(Other)	(305)	(18)
Negative goodwill recognised in profit or loss (note 3)	**11,794**	**-**
Share of the profit or loss of investments in subsidiaries, joint ventures and associates	**391**	**378**
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (note 35)	**806**	**1,490**
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**28,341**	**36,171**
(Tax expense or income related to profit or loss from continuing operations) (note 37)	(296)	(5,912)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**28,045**	**30,259**
Profit or loss after tax from continuing operations	**-**	**-**
PROFIT OR LOSS FOR THE YEAR	**28,045**	**30,259**
Attributable to minority interest (non-controlling interests)	1,015	789
Attributable to owners of the Parent	**27,030**	**29,470**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2021.
The financial statements for 2020 are also included for comparative purposes (see note 2.d).

Consolidated Statements of Comprehensive Incom

Statement of comprehensive income	31/12/2021	31/12/2020
		Thousands of euros
Profit or loss for the year	**28,045**	**30,259**
Other comprehensive income	**(5,747)**	**(16,613)**
Items that will not be classified to profit or loss	**(91)**	**(201)**
Fair value changes of equity instruments measured at fair value through other comprehensive income	(101)	(223)
Income tax relating to items that will not be reclassified	10	22
Items that may be reclassified to profit or loss	**(5,656)**	**(16,412)**
Foreign currency translation	(291)	(20,394)
Translation gains or losses taken to equity	(291)	(20,394)
Hedging derivatives Cash flow hedges (effective portion)	(167)	2,551
Valuation gains or losses taken to equity	(167)	2,551
Debt instruments at fair value through other comprehensive income	(5,794)	1,873
Valuation gains or losses taken to equity	(5,794)	1,873
Income tax relating to items that may be reclassified to profit or loss	596	(442)
Total comprehensive income for the year	**22,298**	**13,646**
Attributable to minority interest (non-controlling interest)	1,015	789
Attributable to owners of the Parent	21,283	12,857

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2021.
The financial statements for 2020 are also included for comparative purposes (see note 2.d).

Statement of changes in equity

	Capital	Share premium	Equity instruments issued other than capital	Accumulated other comprehensive income
Balance at 31 December 2020	**78,842**	**73,441**	**34,800**	**(34,511)**
Effects of correction of errors	-	-	-	-
Effects of changes in accounting policies	-	-	-	-
Balance at 1 January 2021	**78,842**	**73,441**	**34,800**	**(34,511)**
Issuance of ordinary shares	4,599	30,401	-	-
Exercise or expiration of other equity instruments issued	-	-	(100)	-
Dividends	-	-	-	-
Purchase of treasury shares	-	-	-	-
Transfers among components of equity	-	-	-	-
Equity increase or decrease resulting from business combinations	-	-	-	-
Other increase or decrease in equity	-	-	-	-
Total comprehensive income for the year	-	-	-	(5,746)
Balance at 31 December 2021	**83,441**	**103,842**	**34,700**	**(40,257)**

	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)**
Effects of correction of errors	-	-	-	-
Effects of changes in accounting policies	-	-	-	-
Balance at 1 January 2020	**78,842**	**73,441**	**35,000**	**(17,898)**
Issuance of ordinary shares		-	-	-
Exercise or expiration of other equity instruments issued	-	-	(200)	-
Dividends	-	-	-	-
Purchase of treasury shares	-	-	-	-
Transfers among components of equity	-	-	-	-
Equity increase or decrease resulting from business combinations	-	-	-	-
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)**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2021.
The financial statements for 2020 are also included for comparative purposes (see note 2.d).

Thousands of euros

	Retained earnings	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the Parent	**Minority interests** Accumulated other comprehensive income	**Total**
	455,963	**(105,242)**	**(1,927)**	**29,470**	**5,354**	**536,190**
	-		-	-	-	-
	-	-	-	-	-	-
	455,963	**(105,242)**	**(1,927)**	**29,470**	**5,354**	**536,190**
	-	(1,065)	-	-	-	33,935
	-	-	-	-	-	(100)
	(8,000)	-	-	-	-	(8,000)
	-	-	(380)	-	-	(380)
	15,070	-	-	(29,470)	-	(14,400)
	-	1,556	-	-	-	1,556
	(1,474)	16,488	-	-	615	15,629
	-	-	-	27,030	1,014	22,298
	461,559	**(88,263)**	**(2,307)**	**27,030**	**6,983**	**586,728**

Thousands of euros

	Retained earnings	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the Parent	**Minority interests** Accumulated other comprehensive income	Total
	427,156	**(100,367)**	**(1,927)**	**28,040**	**816**	**523,103**
	-	(1.387)	-	-	-	(1.387)
	-	-	-	-	-	-
	427,156	**(101.754)**	**(1,927)**	**28,040**	**816**	**521.716**
	-	-	-	-	-	-
	-	-	-	-	-	(200)
	-	-	-	-	-	-
	-	-	-	-	-	-
	30,726	-	-	(28,040)	-	2,686
	-	-	-	-	-	-
	(1,919)	(3,488)	-	-	3,749	(1,658)
	-	-	-	29,470	789	13,646
	455,963	**(105.242)**	**(1,927)**	**29,470**	**5,354**	**536.190**

	Statement of cash flows	31/12/2021	31/12/2020
			Thousands of euros
A.	**Cash flows from/(used in) operating activities**	**(203,854)**	**349,050**
	Profit for the year	27,030	29,470
	Adjustments to obtain cash flows from operating activities	40,071	15,835
	Depreciation and amortisation	29,293	28,482
	Other adjustments	10,778	(12,647)
	Net increase/(decrease) in operating assets	(733,991)	(429,716)
	Financial assets held for trading	(31,961)	(15,760)
	Non-trading financial assets mandatorily at fair value through profit or loss	2	(9,280)
	Financial assets at fair value through other comprehensive income	(15,608)	204,305
	Financial assets at amortised cost	(675,396)	(648,873)
	Other operating assets	(11,028)	39,892
	Net increase/decrease in operating liabilities	469,330	731,822
	Financial liabilities held for trading	(16,452)	20,636
	Financial liabilities measured at amortised cost	498,129	712,980
	Other operating liabilities	(12,347)	(1,794)
	Income tax receivable/payable	(6,294)	1,639
B.	**Cash flows used in investing activities**	**(12,572)**	**(19,757)**
	Payments	(20,043)	(39,023)
	Tangible assets	(5,427)	(11,639)
	Intangible assets	(11,185)	(18,255)
	Investments in joint ventures and associates	-	(8,748)
	Subsidiaries and other business units	-	(381)
	Non-current assets and liabilities classified as held for sale	(3,431)	-
	Amounts received	7,471	19,266
	Tangible assets	1,253	12,694
	Subsidiaries and other business units	2,535	-
	Non-current assets and liabilities classified as held for sale	3,683	6,572
C.	**Cash flows used in financing activities**	**(6,309)**	**(86,045)**
	Payments	(40,244)	(86,045)
	Dividends	(8,000)	-
	Debt securities	(30,290)	(83,925)
	Redemption of own equity instruments	(1,574)	-
	Acquisition of own equity instruments	(380)	-
	Other payments relating to financing activities	-	(2,120)
	Amounts received	33,935	-
	Issue of own equity instruments	33,935	-
D)	**Effect of exchange rate fluctuations**	**-**	**-**
E)	**Net increase/(decrease) in cash and cash equivalents (A+B+C+D)**	**(222,735)**	**243,248**
F)	**Cash and cash equivalents at the beginning of the period**	**1,302,133**	**1,058,885**
G)	**Cash and cash equivalents at end of the period**	**1,079,398**	**1,302,133**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2021.
The financial statements for 2020 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 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 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 Bank'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 Rebés 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 2021 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 2021 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 Limited and Quest Capital Advisers, S.A. (AGGI) which are being wound up.

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 2021 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 2020, prepared in accordance with IFRS-Andorra and IFRS-EU in force in 2020, were approved by the shareholders at a general meeting held on 28 April 2021. The 2021 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 2021 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 2020 and consolidated notes thereto, prepared in accordance with standards prevailing in 2020, is presented solely and exclusively for the purpose of comparison with the information for 2021 and therefore does not constitute consolidated annual accounts of the Andbank Group for 2021.

▪d. Changes in accounting criteria and correction of errors

The statements of financial position, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2021 include comparative figures for 2020, which differ from those approved by the shareholders at a general meeting held on 28 April 2021 as a result of the corrections detailed below:

- The Bank is undergoing a process of tax consultation with the authorities to establish criteria for applying certain deductions to new investments. In the context of the current regulatory framework for income tax, Andbank considers that it has erroneously interpreted what is stipulated in Andorran legislation regarding the deduction for new investments in the tax declarations for 2018 and 2019. Consequently, it has recognised provisions of Euros 1,387 thousand against reserves (Euros 1,387 thousand at 31 December 2019).

The following statement of financial position items for 2020 have been affected by the corrections:

Statement of financial position	Presented at 31 December 2020	Restated	Restated at 31 December 2020
Provisions	18,997	1,387	20,384
Total liabilities	**4,689,479**	**1,387**	**4,690,866**
Other reserves	(103,855)	(1,387)	(105,242)
Total equity	**537,577**	**(1,387)**	**536,190**

▪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 2021

During 2021 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 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.	1 January 2021
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 16: COVID-19-Related rent concessions beyond 30 June 2021	The aim of these amendments is to extend until 30 June 2022 the time period over which the **accounting of lessees who have received COVID-19-related rent concessions**, such as rent reductions or waivers, can be simplified, allowing these concessions not to be considered as lease modifications.	1 January 2021

These new IFRS requirements have not had any significant impact on these annual accounts.

▪h. Recent IFRS pronouncements

During 2022 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 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

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.

Furthermore, IFRS 17 Insurance contracts has been published by the IASB and approved for its application in the European Union but is awaiting approval in Andorra. IFRS 17 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. This standard will be mandatory for the years beginning on or after 1 January 2023.

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:
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 IAS 12. Deferred tax related to assets and liabilities arising from a single transaction.	These amendments introduce **an exemption from the initial recognition provided in IAS 12 for those situations where a single transaction gives rise to equal amounts of deductible and taxable temporary differences.** These amendments will affect those transactions that have occurred on or after the beginning of the earliest comparative period presented. Early adoption of these amendments is permitted.	1 January 2023
Amendments to IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 - Comparative information.	This proposed amendment refers to financial assets for which comparative information is presented on initial application of IFRS 17 and IFRS 9, but where this information has not been restated for IFRS 9. **It permits an entity to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.**	1 January 2023

At the date these annual accounts were authorised for issue, the Bank 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.

3. Relevant accounting principles and valuation standards

▪a. Business combinations and consolidation principles

The consolidated financial statements of the Andbank Group at 31 December 2021 and 2020 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 of the investee, 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 harmonised with 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). Business combinations

Accounting standards define business combinations as the union of two or more entities in a single entity or group of entities, with the acquirer obtaining control of another entity at the acquisition date. For those business combinations in which the Andbank Group obtains control, the cost of the business combination is determined, which is generally the fair value of the consideration transferred.

This consideration will be formed of assets acquired, liabilities assumed vis-a-vis the former owners of the acquiree and the equity interests issued by the acquirer. At acquisition date, the difference between the following is evaluated:

- The sum of the fair value of the consideration transferred, the non-controlling interests and the previously held equity interest in the entity or acquiree.

- The total net identifiable assets acquired and liabilities assumed, measured at fair value.

The positive difference between i) and ii) is recognised under «Intangible assets - Goodwill» on the balance sheet, provided that allocation is not possible to specific equity items or identifiable intangible assets of the entity or the acquiree. If the difference is negative, it will be recognised under «Negative goodwill recognised in profit or loss» on the income statement.

(v). 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 2021 and 2020 is as follows:

On 22 December 2020, the AFA granted prior authorisation, with no opposition, to Andbank España, SAU, for the direct purchase of 100% of the share capital of Bank Degroof Petercam Spain, SAU (currently called "Wealthprivat Bank, S.A.") and indirect purchase of 100% of Degroof Petercam SGIIC, SAU (currently called "Wealthprivat Bank, SAU") and Degroof Petercam Corporate Finance Spain, SAU (currently called "Wealthprivat Corporate Finance, SAU"). This transaction will be closed in the first quarter of 2021. Details of the consideration given, the fair value of the net assets acquired and the Andbank Group's goodwill are as follows:

	Thousands of euros
Consideration given	-
Cash paid	11,403
Fair value of net assets acquired	19,365
Negative goodwill recognised in opening profit or loss	7,962
Customer relationships - Other intangible assets	3,832
Negative goodwill recognised in closing profit or loss	11,794

On 22 December 2020 the AFA granted prior authorisation for an increase in the capital of Wealthprivat Bank, SAU (formerly "Bank Degroof Petercam Spain, S.A.") which was executed on 30 April 2021. As a result, the company's share capital rose from Euros 36.5 million to Euros 46.5 million.

On 1 September 2021 a sale and purchase agreement was signed for all the shares of Wealthprivat Asset Management S.G.I.I.C., S.A.U. This transaction will not be effective until the following conditions precedent have been met:

- The non-opposition of the sale-purchase transaction by the Spanish National Securities Market (CNMV).

- Express authorisation of the transaction by the Andorran Financial Authority (AFA).

As a result of this agreement, the assets and liabilities of Wealthprivat Asset Management S.G.I.I.C., S.A. have been reclassified to the consolidated statements of financial position under assets as Non-current assets and disposal groups classified as held for sale and under liabilities as Liabilities included in disposal groups classified as held for sale.

On 14 December 2021 the AFA granted prior authorisation for various transactions relating to MyInvestor, SL. which were executed on 22 December 2021. The authorised transactions are as follows:

- Non-monetary capital increase whereby the shareholders of Desarrollos Myinvestor, SA (hereinafter "Desarrollos") contribute all of the shares of Desarrollos to Myinvestor.

- Downstream merger of Myinvestor and Desarrollos whereby the latter absorbs the former.

- Non-monetary capital increase of the company resulting from the merger, whereby Andbank España, SAU contributes a portfolio comprising the economic rights associated with its customers.

On 29 April 2021, along with later letters, the AFA granted prior authorisation to increase the share capital of Andbank Distribuidora de Titulos e Valores Mobiliarios, Ltda for a maximum amount of Brazilian Reals 700 thousand, fully subscribed by Banco Andbank (Brasil), S.A. with a charge to its own funds. On 5 July 2021 the Banco Central do Brasil approved this transaction, with the share capital of the company rising from Brazilian Reals 1.1 million to Brazilian Reals 1.8 million.

On 22 February 2021, the AFA granted authorisation to make successive capital increases in Banco Andbank (Brasil), S.A. for a maximum amount of Euros 15 million (at the Brazilian Real exchange rate at the transaction date). On 19 May 2021, the AFA was informed of a share capital increase of Brazilian Reals 65 million (with the share capital rising from Brazilian Reals 252 million to Brazilian Reals 317 million).

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 2020 the AFA was informed of the execution of this transaction for the sale of the aforementioned percentage in share capital, for a total of Euros 1,411 thousand.

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 aforementioned transactions. This has entailed a rise of Euros 16,153 thousand in the investment.

On 1 June 2021 the AFA granted prior authorisation for the liquidation of Quest Capital Advisers, S.A (AAGI). This company is currently under liquidation and is being wound up.

On 18 June 2021 the AFA filed in the corresponding AFA Register the purchase of 8,000 shares in Sigma Investment

House, Ltd, representing approximately 9.88% of the share capital, for an amount of Israeli Shekels 842 thousand. Andbank obtained a 100% stake in the aforementioned Israeli company through this acquisition.

As a relevant event, during the first quarter of 2022 the AFA was informed of the liquidation and winding up of the company and the banking license associated with Andbank Bahamas, Limited. The process of liquidating the license has been completed in 2022.

Finally, NOBILITAS, NV is under liquidation and is being wound up. This process is expected to end in 2022.

▪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 2021 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.

On the contrary, 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 income and Interest expenses. 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 derived from the provision of services are recognised under Fee and commission income and Fee and commission expenses over the period in which the service is 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 recognise 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 2021 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.

Other minor lawsuits are underway in Spain, with overall claims amounting to Euros 0.9 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. Treasury 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 - Treasury 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/Application of Losses

The proposed application of the Parent's losses for 2021 that the board of directors will present to the shareholders for their approval comprises the transfer of Euros (4,649) thousand to Other reserves - Prior years' losses.

Distribution of the Parent's profit for the year ended 31 December 2020, approved by the shareholders at their general meeting on 28 April 2021, was Euros 11,070 thousand to voluntary reserves and Euros 4,000 thousand to dividends.

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 2021 and 31 December 2020 are as follows:

		Thousands of euros
	31/12/2021	**31/12/2020**
Cash on hand	17,642	16,682
Cash balances at central banks	779,664	989,194
Other demand deposits	282,092	296,257
	1,079,398	**1,302,133**

6. Financial assets and liabilities held for trading

Details of these line items of the consolidated statement of financial position at 31 December 2021 and 31 December 2020 are as follows:

		Thousands of euros
	31/12/2021	**31/12/2020**
Financial assets held for trading		
Derivatives	119,575	108,897
Equity instruments	778	2,034
Debt securities	101,565	79,027
	221,918	**189,958**

		Thousands of euros
	31/12/2021	**31/12/2020**
Financial liabilities held for trading		
Derivatives	57,847	74,299
Deposits	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
	57,847	**74,299**

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
	31/12/2021	31/12/2020
	Carrying amount	Carrying amount
Derivatives	119,575	108,897
Equity instruments	778	2,034
Of which: at cost	-	-
Of which: credit institutions	-	-
Of which: other financial corporations	-	-
Of which: non-financial corporations	778	2,034
Debt securities	101,565	79,027
Central banks	-	-
General governments	16,227	5,043
Credit institutions	17,354	1,389
Other financial corporations	13,550	21,660
Non-financial corporations	54,434	50,935
	221,918	**189,958**

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
	31/12/2021		31/12/2020	
	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	-	119,575	-	108,897
Equity instruments	-	778	-	2,034
Debt securities	-	101,565	-	79,027
Loans and advances	-	-	-	-
	-	**221,918**	**7,970**	**189,958**

▪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 2021 and 31 December 2020, is as follows:

Thousands of euros

At 31 December 2021	Financial assets held for trading	Financial liabilities held for trading	Notional amount
Interest rate	**63,518**	**5,000**	**567,181**
Of which: economic hedges	63,518	5,000	567,181
OTC options	-	-	-
OTC other	63,518	5,000	567,181
Organised market options	-	-	-
Organised market other	-	-	-
Equity risk	**18,061**	**16,123**	**175,880**
Of which: economic hedges	18,061	16,123	175,880
OTC options	-	-	-
OTC other	18,061	16,123	175,880
Organised market options	-	-	-
Organised market other	-	-	-
Foreign exchange and gold	**4,768**	**5,656**	**732,128**
Of which: economic hedges	4,768	5,656	732,128
OTC options	-	-	-
OTC other	4,768	5,656	732,128
Organised market options	-	-	-
Organised market other	-	-	-
Credit	**33,050**	**31,011**	**1,213,322**
Of which: economic hedges	33,050	31,011	1,213,322
Credit default swap	33,050	31,011	1,213,322
Credit spread options	-	-	-
Total return swaps	-	-	-
Other	-	-	-
Commodity	**-**	**-**	**-**
Of which: Economic hedges	-	-	-
Other	**178**	**57**	**53,604**
Of which: Economic hedges	178	57	53,604
DERIVATIVES	**119,575**	**57,847**	**2,742,115**
Of which: OTC - Credit institutions	36,522	30,053	1,738,462
Of which: OTC - Other financial corporations	83,053	27,794	1,003,653
Of which: OTC - Other	-	-	-
	119,575	**57,847**	**2,742,115**

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**

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 2021 and 31 December 2020 are as follows:

		Thousands of euros
	31/12/2021	31/12/2020
Equity instruments	9,275	8,990
Debt securities	-	-
Loans and advances	-	-
	9,275	**8,990**

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 2021 and 31 December 2020 are as follows:

		Thousands of euros
	31/12/2021	31/12/2020
Equity instruments	-	-
Debt securities	13,333	13,619
Loans and advances	-	-
	13,333	**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 2021 and 31 December 2020 are as follows:

		Thousands of euros
	31/12/2021	31/12/2020
Equity instruments	8,750	13,880
Debt securities	321,967	304,396
Loans and advances	-	-
	330,717	**318,276**

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 2021 and 31 December 2020 are as follows:

Thousands of euros

	31/12/2021	31/12/2020
Equity instruments		
Credit institutions	-	-
Non-financial corporations	8,750	13,880
Other financial corporations	-	-
	8,750	**13,880**
Debt securities		
Central banks	-	-
General governments	133,770	128,926
Credit institutions	135,095	127,463
Other financial corporations	10,678	-
Non-financial corporations	42,424	48,007
	321,967	**304,396**

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 2021 and 31 December 2020 are as follows:

		Gross carrying amount	
31 December 2021	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	**556,656**	**556,656**	**-**
Central banks	-	-	-
General governments	107,638	107,638	-
Credit institutions	201,369	201,369	-
Other financial corporations	170,221	170,221	-
Non-financial corporations	77,428	77,428	-
Deposits in credit institutions	**485,526**	**485,526**	**-**
Credit institutions	485,526	485,526	-
Loans and advances	**2,469,966**	**2,272,727**	**187,686**
Central banks	-	-	-
General governments	12,525	12,125	498
Credit institutions	23	23	-
Other financial corporations	71,994	72,049	-
Non-financial corporations	993,563	833,105	152,558
Households	1,391,861	1,355,425	34,630
Financial assets at amortised cost	**3,512,148**	**3,314,909**	**187,686**

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)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
49,245	(1,655)	(26,519)	(11,518)
-	-	-	-
-	(61)	(37)	-
-	-	-	-
4	(56)	-	(3)
33,312	(703)	(19,805)	(4,904)
15,929	(835)	(6,677)	(6,611)
49,245	**(1,655)**	**(26,519)**	**(11,518)**

31 December 2020	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	**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**

At 31 December 2021 assets classified as doubtful amount to Euros 49,245 thousand (Euros 60,235 thousand at 31 December 2020).

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)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
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)**

▪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 2021 and 31 December 2020 are as follows:

31 de desembre del 2021	Totals	Central banks
On demand and short notice (current account)	6,496	-
Credit card debt	5,556	-
Trade receivables	-	
Finance leases	-	-
Reverse repurchase loans	-	-
Other term loans	2,457,914	-
Advances that are not loans	-	-
Loans and advances	**2,469,966**	**-**

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**	**-**

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 used to analyse and select risk are defined based on the different characteristics of the transactions, such as the purpose of the risk, counterparty, term, use of own funds, etc. Collateral securities and credit enhancements which must be held in addition to the borrower's personal security, to be able to proceed with contracting (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.

	Net carrying amount				Thousands of euros
	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households
	38	-	59	1,457	4,942
	1	22	28	720	4,785
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	12,486	1	71,907	991,386	1,382,134
	-	-	-	-	-
	12,525	**23**	**71,994**	**993,563**	**1,391,861**

	Net carrying amount				Thousands of euros
	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**

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 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 2021 and 31 December 2020, are as follows:

						Thousands of euros
		% coverage				
31 December 2021	Gross carrying amount	≤ 40% or without guarantee	> 40% & ≤ 60%	> 60% & ≤ 80%	> 80% & ≤ 100%	> 100%
Deposits in credit institutions	**485,526**	**3,779**	**-**	**-**	**481,747**	**-**
Credit institutions	485,526	3,779	-	-	481,747	-
Loans and advances	**2,509,658**	**155,930**	**3,787**	**19,578**	**262,547**	**2,067,816**
Operations collateralised by immovable property	1,325,779	3,817	3,468	8,864	220,780	1,088,850
Operations collateralised by debt securities/ instruments	963,058	2,907	304	8,597	19,741	931,509
Operations collateralised by monetary assets	74,008	2,393	15	2,117	22,026	47,457
Operations with no guarantee and/or personal collateral	146,813	146,813	-	-	-	-
Financial assets at amortised cost	**2.995.184**	**159.709**	**3.787**	**19.578**	**744.294**	**2.067.816**

						Thousands of euros
		% de Cobertura				
31 de desembre del 2020	Gross carrying amount	≤ 40% or without guarantee	> 40% & ≤ 60%	> 60% & ≤ 80%	> 80% & ≤ 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**

At 31 December 2021, 94% of loans and advances and deposits in credit institutions have coverage of more than 80%, whilst at 31 December 2020, 93% of loans and advances have coverage of more than 80%.

At 31 December 2021, 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 16.22 million, of which the current risk is Euros 12.56 million (included in the Euros 91.2 million of transactions with third party guarantees). In addition, as part of the same plan for aid, the legal or sector-based grace periods given to loans with outstanding capital of Euros 9 million have fully expired and ordinary instalment payments are once again being made for all transactions.

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	**31/12/2021**	**31/12/2020**
Assets	**5,686**	**10,065**
Derivatives - Hedge accounting	2,955	4,089
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2,731	5,976
Liabilities	**4,928**	**6,268**
Derivatives - Hedge accounting	4,757	6,268
Fair value changes of the hedged items in portfolio hedge of interest rate risk	171	-

At 31 December 2021 and 2020 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 2021 and 31 December 2020, distinguishing between risk category for each kind of hedge, are as follows:

				Thousands of euros
	Carrying amount		**Notional amount**	
31 December 2021	Assets	Liabilities	Total hedges	Of which: sold
Fair value hedges	**538**	**4,757**	**211,536**	**-**
Interest rate	538	3,909	83,654	-
OTC options	-	-	-	-
OTC other	538	3,909	83,654	-
Organised market options	-	-	-	-
Organised market other	-	-	-	-
Foreign exchange and gold	-	848	27,882	-
OTC options	-	-	-	-
OTC other	-	848	27,882	-
Organised market options	-	-	-	-
Organised market other	-	-	-	-
Credit	-	-	100,000	-
Credit default swap	-	-	100,000	-
Credit spread options	-	-	-	-
Total return swaps	-	-	-	-
Other	-	-	-	-
Commodity	-	-	-	-
Other	-	-	-	-
Cash flow hedges	**2,417**		**242,804**	**-**
Total derivatives - hedge accounting	**2,955**	**4,757**	**454,340**	**-**
Of which: OTC - Credit institutions	2,955	4,757	354,340	-
Of which: OTC - Other financial corporations	-	-	-	-
Of which: OTC - Other	-	-	100,000	-

31 December 2020	Carrying amount		Notional amount	
	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

12. Investments in subsidiaries, joint ventures and associates

Details, by company, of Investments in subsidiaries, joint ventures and associates at 31 December 2021 and 31 December 2020 in the accompanying consolidated statements of financial position are as follows:

Thousands of euros

	2021			
Company name	Investment	Impairment	Cost	Total
Medipatrimonia Invest, SL	51.00%	-	2,233	2,233
Sigma M. Partners, LTD	49.78%	-	857	857
Other companies	100.00%	-	48	48
		-	**3,138**	**3,138**

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**

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

13. Tangible assets

A breakdown of items included in Tangible assets during 2021 and 2020 is as follows:

Thousands of euros		
	31/12/2021	**31/12/2020**
Tangible assets		
Property, plant and equipment	114,823	118,844
Property, plant and equipment for own use	22,169	21,676
Rights-of-use	92,654	97,168
Investment property	16,728	12,723
	131,551	**131,567**

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:

	31/12/2020	Additions	Disposals
Cost			
For operating activities			
Land	-	-	-
Buildings	4,834	32	-
Furniture	10,079	23	(215)
Installations	24,340	3,375	(2,217)
IT equipment	34,512	773	(504)
Vehicles	2,015	355	(1,184)
Under construction	665	351	-
Rights-of-use	118,705	9,441	(4,623)
Subtotal	**195,150**	**14,350**	**(8,743)**
For non-operating activities			
Land	-	-	-
Buildings	1,135	-	-
Installations	886	-	-
IT equipment	104	-	-
Furniture	36	-	-
Vehicles	402	-	-
Investment property	13,110	514	(823)
Subtotal	**15,673**	**514**	**(823)**
Accumulated depreciation			
For operating activities			
Buildings	(3,891)	-	-
Furniture	(8,479)	(106)	215
Installations	(15,969)	(2,416)	2,132
IT equipment	(25,677)	(1,323)	502
Vehicles	(1,524)	(224)	1,043
Rights-of-use	(21,537)	(13,206)	4,619
Subtotal	**(77,077)**	**(17,275)**	**8,511**
For non-operating activities			
Buildings	(350)	(44)	-
Installations	(904)	-	-
IT equipment	(103)	-	-
Furniture	(33)	-	-
Operating leases	(402)	-	-
Investment property	(387)	(200)	202
Subtotal	**(2,179)**	**(244)**	**202**
Net balance	**131,567**	**(2,655)**	**(853)**

Thousands of euros

	Transfers to/from non-current assets for sale	Other transfers	Exchange gains/losses	Other movements	31/12/2021
	-	-	-	-	-
	-	-	-	-	4,866
	-	-	-	-	9,887
	-	-	-	-	25,498
	-	124	-	(79)	34,826
	-	-	-	-	1,186
	-	(124)	-	-	892
	-	-	-	(2,134)	121,389
	-	**-**	**-**	**(2,213)**	**198,544**
	-	-	-	-	-
	-	-	-	-	1,135
	-	-	-	-	886
	-	-	-	-	104
	-	-	-	-	36
	-	-	-	-	402
	4,312	-	-	-	17,113
	4,312	**-**	**-**	**-**	**19,676**
	-	-	-	-	(3,891)
	-	-	-	-	(8,370)
	-	-	-	-	(16,253)
	-	-	-	-	(26,498)
	-	-	-	-	(705)
	-	-	-	1,388	(28,736)
	-	**-**	**-**	**1,388**	**(84,453)**
	-	-	-	-	(394)
	-	-	-	5	(899)
	-	-	-	-	(103)
	-	-	-	-	(33)
	-	-	-	-	(402)
	-	-	-	-	(385)
	-	**-**	**-**	**5**	**(2,216)**
	4,312	**-**	**-**	**(820)**	**131,551**

	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)**

At 31 December 2021 these include fully depreciated tangible assets amounting to Euros 45,196 thousand.

During 2021 and 2020 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	31/12/2020
	-	-	-	-	-
	-	-	-	-	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**

At 31 December 2021 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 2021 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 16,728 thousand classified as investment property of the Andbank Group, which correspond to buildings under development or lease. In addition, there are no contractual purchase, construction or development obligations on the investment property held at 31 December 2021.

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
	31/12/2020	Additions	Exchange gains/losses	Other adjustments	31/12/2021
Cost	158,307	-	2,592	-	160,899
Accumulated impairment	-	-	-	-	-
	158,307	**-**	**2,592**	**-**	**160,899**

					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**

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

		Thousands of euros
	2021	**2020**
Andbank España, SA	96,318	96,318
Andbank Monaco S.A.M.	11,347	11,347
Andbank Wealth Management LLC	1,800	1,658
Banco Andbank (Brasil), S.A	25,931	25,771
Columbus de México, SA de CV	4,721	4,480
Quest Capital Advisers Agente de Valores, SA	12,766	11,604
Sigma Investment House Ltd.	8,016	7,129
Total Goodwill	**160,899**	**158,307**

No increase due to acquisitions of goodwill has arisen in 2021. During 2020 goodwill rose 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 allocated 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 conversion 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 seven 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.

The Andbank Group determines the recoverable amount by calculating the value in use by applying the discount method of distributable dividends. The value of the cash generating units is obtained based on the present value of the dividends that are expected to be generated by this CGU 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 consideration 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 Andbank Brazil a time horizon of seven years has been determined due to the existence of normalised key drivers. Taking into account recent acquisitions, this is a project that is 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 that a business plan with a time horizon of seven years will gain, in the best way possible, value associated with efficiencies and synergies deriving from the acquisition of portfolios/customers and investments made in technology.

The main assumptions taken into consideration when determining the recoverable amount at 2021 reporting date, of the most significant CGU that have been valued by discounting distributable dividends, are as follows:

2021		
	Ke	G
Andbank España, SA	10.20%	3.00%
Andbank Monaco S.A.M.	7.98%	2.70%
Andbank Wealth Management LLC	9.88%	3.95%
Banco Andbank (Brasil), S.A	13.65%	5.00%
Columbus de México, SA de CV	12.30%	5.00%
Quest Capital Advisers Agente de Valores, SA	13.75%	6.70%
Sigma Investment House Ltd.	10.04%	4.80%

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 +/- 50 basis points.

The sensitivity analysis concludes that all the scenarios defined therein reflect that the carrying amount of the CGU is lower than the recoverable amount, with the exception of those which apply more restrictive assumptions to the Brazil CGU.

c. Other intangible assets

A breakdown and movement of items included in Intangible assets during 2021 and 2020 is as follows:

At 31 December 2021	31/12/2020	Additions
Cost		
IT software and applications	114,485	3,853
Multi-owned assets	834	-
Intangible assets in progress	-	-
Other	101,737	8,544
	217,056	**12,397**
Accumulated amortisation		
IT software and applications	(60,261)	(8,564)
Multi-owned assets	(705)	(11)
Intangible assets in progress	-	-
Other	(23,658)	(3,198)
	(84,624)	**(11,773)**
Accumulated impairment	**(1,863)**	**(55)**
Net balance	**130,569**	**569**

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 2021 these include fully amortised intangible assets amounting to Euros 51,670 thousand.

Others under Intangible assets include computer software under development amounting to Euros 26,525 thousand (Euros 28,027 thousand at 31 December 2020), 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 2021 all these items remain under ownership of the Bank and are used for its activity.

Thousands of euros

	Disposals	Other transfers	Exchange gains/losses	Other movements	31/12/2021
	(617)	5,989	-	-	123,710
	-	-	-	-	834
	-	-	-	-	-
	(159)	(5,989)	-	(2)	104,131
	(776)	**-**	**-**	**(2)**	**228,675**
	1,172	-	-	(1,590)	(69,243)
	-	-	-	-	(716)
	-	-	-	-	-
	30	-	-	-	(26,826)
	1,202	**-**	**-**	**(1,590)**	**(96,785)**
	9	**-**	**-**	**-**	**(1,909)**
	435	**-**	**-**	**(1,592)**	**129,981**

Thousands of euros

	Disposals	Other transfers	Exchange gains/losses	Other movements	31/12/2020
	(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**

15. Tax assets and liabilities

Details of tax assets and liabilities at 31 December 2021 and 31 December 2020 are as follows:

		Thousands of euros
	31/12/2021	**31/12/2020**
Tax assets		
Current tax assets	4,762	7,102
Deferred tax assets	27,592	18,179
	32,354	**25,281**
Tax liabilities		
Current tax liabilities	5,067	4,088
Deferred tax liabilities	8,429	9,159
	13,496	**13,247**

16. Other assets and liabilities

A breakdown of the asset and liability items of the consolidated statement of financial position at 31 December 2021 and 31 December 2020 is as follows:

		Thousands of euros
	31/12/2021	**31/12/2020**
Other assets		
Inventories	14	14
Other assets	92,606	77,197
Prepayments and accrued income	42,218	32,976
Operations in progress	8,196	10,610
Other items	42,192	33,611
	92,620	**77,211**

		Thousands of euros
	31/12/2021	**31/12/2020**
Other liabilities		
Other liabilities	83,312	84,657
Accrued expenses and deferred income	15,662	13,313
Operations in progress	11,366	13,832
Other items	56,284	57,512
	83,312	**84,657**

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

Details of non-current assets and disposal groups classified as held for sale at 31 December 2021 and 31 December 2020 are as follows:

		Thousands of euros
	31/12/2021	31/12/2020
Foreclosed assets	13,377	20,015
Other non-current assets held for sale	3,234	-
	16,611	**20,015**

▪a. 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 2021	31/12/2020	Additions	Disposals	Transfers to investment property	Revaluation reserves	Other	31/12/2021
Cost							
Property, plant and equipment							
From foreclosures	40,062	562	(4,615)	(4,311)	34	-	31,732
Other	-	-	-	-	-	-	-
	40,062	**562**	**(4,615)**	**(4,311)**	**34**	**-**	**31,732**
Impairment losses							
Property, plant and equipment							
From foreclosures	(21,610)	(208)	1,934	-	(34)	-	(19,918)
Other	1,563	-	-	-	-	-	1,563
	(20,047)	**(208)**	**1,934**	**-**	**(34)**	**-**	**(18,355)**
Net balance	**20.015**	**354**	**(2.681)**	**(4.311)**	**-**	**-**	**13.377**

							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**

Transfers to investment property reflect a change in the purpose of the assets, which are destined for property development or the obtaining of returns and gains.

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

		Thousands of euros
	31/12/2021	**31/12/2020**
Land	25,262	36,094
Premises	1,452	1,165
Car parks	875	1,583
Storage rooms	80	119
Housing	5,797	10,341
	33,466	**49,302**

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 main independent sources used to value buildings and land are Intervalor, Peritand, Peritaxa and T.A.I.

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/805/2003. 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
	31/12/2021	**31/12/2020**
Up to 12 months	354	322
From 1 to 2 years	51	227
From 2 to 5 years	4,825	8,293
More than 5 years	8,147	11,173
	13.377	**20.015**

Details, by type of asset, of the profit and loss recognised in 2021 and 2020 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
	2021		**2020**	
	Profits	Losses	Profits	Losses
Apartments	596	(133)	1,318	(110)
Car parks	67	-	32	-
Premises	-	-	-	-
Land	519	-	250	-
Adjustments due to depreciation	-	(47)	-	-
	1,182	**(180)**	**1,600**	**(110)**

At 31 December 2021 and 2020 the Andbank Group has no liabilities associated with non-current assets and disposal groups which have been classified as held for sale.

▪b. Other non-current assets held for sale

During 2021 an agreement for the sale of Wealthprivat Asset Management, S.G.I.I.C., S.A.U. was drawn up and is pending completion due to a series of conditions precedent (note 3 (a)).

As a result of this agreement, the assets and liabilities of Wealthprivat Asset Management S.G.I.I.C., S.A. have been reclassified to the consolidated statements of financial position under assets as Non-current assets and disposal groups classified as held for sale amounting to Euros 3,234 thousand and under liabilities as Liabilities included in disposal groups classified as held for sale amounting to Euros 1,508 thousand.

18. Financial liabilities measured at amortised cost

Details of this line item of the statement of financial position at 31 December 2021 and 31 December 2020 are as follows:

		Thousands of euros
	31/12/2021	**31/12/20**
Deposits	**4,477,896**	**3,997,436**
Central banks	180,832	168,747
Credit institutions	444,021	439,580
Other creditors	3,853,043	3,389,109
Debt securities issued	**343,845**	**374,135**
Other financial liabilities	**143,747**	**117,388**
	4,965,488	**4,488,959**

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
	31/12/2021	**31/12/2020**
Central banks	**180,832**	**168,747**
Current accounts/overnight deposits	16,582	53,377
Deposits with agreed maturity	164,250	115,370
Deposits redeemable at notice	-	-
Repurchase agreements	-	-
Credit institutions	**444,021**	**439,580**
Current accounts/overnight deposits	37,252	30,498
Deposits with agreed maturity	25,489	68,118
Deposits redeemable at notice	-	-
Repurchase agreements	381,280	340,964
Other creditors	**3,853,043**	**3,389,109**
Current accounts/overnight deposits	3,649,269	3,171,081
Deposits with agreed maturity	203,774	218,028
Deposits redeemable at notice	-	-
Repurchase agreements	-	-
	4,477,896	**3,997,436**

▪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 2021 includes debt issues amounting to Euros 15,544 thousand (Euros 15,563 thousand at 2020), 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 4.095%.

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 2021 and 2020:

31 December 2021	Up to 1 month	From 1 to 3 months
Debt securities issued in 2013	-	-
Debt securities issued in 2016	-	-
Debt securities issued in 2017	-	-
Debt securities issued in 2018	-	-
Debt securities issued in 2019	7,448	3,438
Debt securities issued in 2020	2,010	-
Debt securities issued in 2021	3,175	-
	12,633	**3,438**

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**

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 five years and with a coupon pegged to Euribor with quarterly payments, which at 31 December 2021 was secured by part of the Andbank Group's mortgage loan portfolio for an amount of Euros 121,396 thousand, and by a sum of Euros 33,498 thousand deposited in a correspondent account.

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
	-	-	25,000	-	25,000
	135,850	-	39,083	-	174,933
	-	14,352	-	-	14,352
	4,432	10,661	-	-	25,979
	-	7,651	-		9,661
	16,512	44,914	8,322		72,923
	156,794	**83,031**	**72,405**	**-**	**328,301**

	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**

▪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
	31/12/2021	**31/12/2020**
Lease liabilities	97,102	100,849
Bonds payable	15,399	8,033
Guarantees received	418	115
Clearing houses	30,225	7,489
Other items	603	889
	143.747	**117.388**

Details of maturity dates of lease liabilities maturing after 31 December 2021 and 2020 are as follows:

31/12/2021	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Maturities of lease liabilities	9,086	17,100	13,786	57,130	97,102

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

19. Provisions

A breakdown of this line item of the statement of financial position at 31 December 2021 and 31 December 2020 is as follows:

		Thousands of euros
	31/12/2021	**31/12/2020**
Pensions and other benefit obligations and other long-term employee benefits	3,810	4,670
Other long-term employee benefits	-	-
Pending legal issues and tax litigation	4,667	570
Commitments and guarantees given	372	365
Other provisions	17,473	14,779
	26,322	**20,384**

Movement by type of provision during 2021 and 2020 was as follows:

					Thousands of euros
	Pensions and other benefit obligations and other long-term employee benefits	Pending legal issues and tax litigation	Commitments and guarantees given	Other provisions	Total
Balance at 1 January 2021	**4,670**	**570**	**365**	**14,779**	**20,384**
Net provisions	220	2,837	6	13,855	16,918
Amounts used	(1,079)	-	-	(9,902)	(10,981)
Other movements	-	1,260	1	(1,260)	1
Balance at 31 December 2021	**3,811**	**4,667**	**372**	**17,472**	**26,322**

	Pensions and other benefit obligations and other long-term employee benefits	Pending legal issues and tax litigation	Commitments and guarantees given	Other provisions	Total
					Thousands of euros
Balance at 1 January 2020	**5,755**	**3,507**	**495**	**14,370**	**24,127**
Dotacions netes	369	272	(16)	248	873
Imports utilitzats	(904)	(3,209)	(1)	(574)	(4,688)
Altres moviments	(550)	-	(113)	735	72
Saldo a 31 de desembre de 2020	**4,670**	**570**	**365**	**14,779**	**20,384**

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

The Bank has recognised different obligations in relation to personnel: retired employees, early retirees, and funds for other obligations with current Bank 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 Bank 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 Bank has to make supplementary remuneration payments. The actuarial variables and other assumptions used in the valuation at 31 December 2021 for retired personnel and early retirees are as follows:

	Retirees	Early retirees
Mortality tables	PER2020	PER2020
Nominal discount rate	0.39%	0.22%
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 2021 and 2020 have been recognised against provision fund.

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 2021 balances managed off the balance sheet amounted to Euros 431 thousand (Euros 435 thousand at 31 December 2020), whilst internal funds recognised under Provisions amount to Euros 2,725 thousand at 31 December 2021 (Euros 3,084 thousand at 31 December 2020).

▪b. Other provisions

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

As a result of the purchase of Wealthprivat Bank, SAU (note 3(a)), net allowances and provisions for 2021 include an amount of Euros 7,399 thousand corresponding to the provisions deemed necessary to obtain a higher level of efficiency in the Bank's structure and take advantage of the existing synergies between the Andbank Spain Group.

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 2021 and 2020 is shown in the statement of changes in equity.

▪a. Capital

On 13 October 2021 the AFA authorised an increase in the Bank's capital amounting to Euros 35 million, Euros 4,599 thousand of which is used to increase share capital and Euros 30,401 thousand for share premium.

At 31 December 2021 the Bank's share capital comprises 1,872,555 shares (1,855,037 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 Bank's shares have the same voting and economic rights and there are no different voting rights for any of the shareholders. There are no shares that are not representative of 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 2021 and 31 December 2020 are as follows:

		Thousands of euros
	31/12/2021	**31/12/2020**
Share premium	103,842	73,441
Retained earnings	461,559	455,963
Legal reserve	15,768	15,768
Guarantee reserves	27,026	27,026
Statutory reserves	-	-
Voluntary reserves	416,458	411,242
Own share reserves	2,307	1,927
Revaluation reserves	-	-
	565,401	**529,404**

▪ **Share premium**

At 31 December 2021 the balance of this line item of the statement of financial position amounted to Euros 103,842 thousand (Euros 73,441 thousand at 2020).

▪ **Legal reserve**

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.

▪ **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 2021 and 2020 Guarantee reserves totalled Euros 27,026 thousand.

▪ **Voluntary reserves**

Voluntary reserves include an amount of Euros 120,298 thousand for differences on first-time consolidation that are restricted.

At an extraordinary meeting held on 26 October 2021 the shareholders unanimously agreed to distribute dividends of Euros 4 million with a charge to freely distributable reserves.

▪ **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 2021 and 2020 consolidation reserves correspond to the following companies:

		Thousands of euros
	31/12/2021	**31/12/2020**
Andorra Gestió Agrícol Reig, SAU.	2,159	2,588
Andorra Assegurances Agrícol Reig, SAU	583	547
Nobilitas N.V. Group	1,892	324
Andbank Bahamas (Limited)	(83)	74
Andbank Luxembourg Group	14,082	12,245
Andbank España Group	31,317	17,318
Quest Wealth Advisers, Inc (Panama)	3,669	7,879
APW Consultores Financeiros Ltda.	26	15
Andbank Monaco S.A.M.	3,302	2,275
Banco Andbank (Brasil) S.A.	2,057	(1,467)
Sigma Investment House Group	(726)	(919)
Other	952	161
	59,230	**41,040**

Movement in consolidation reserves in 2021 and 2020 is as follows:

	Thousands of euros
Balance at 31 December 2019	**44,528**
Distribution of 2019 losses to reserves	(2,686)
Other consolidation adjustments	(802)
Balance at 31 December 2020	**41,040**
Distribution of 2020 profit to reserves	14,400
Other consolidation adjustments	3,790
Balance at 31 December 2021	**59,230**

▪ **Other reserves**

The reserves included under Other in 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.

▪ **Equity instruments issued other than capital**

At 31 December 2021 and 2020 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 2021 the Andbank Group repurchased an amount of Euros 100 thousand (Euros 200 thousand in 2020), with the sum issued at 31 December 2021 totalling Euros 34,700 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 4.095%.

▪c. Profits/losses attributable to the Andbank Group

Details of profits/losses contributed by each of the companies comprising the Andbank Group during 2021 and 2020 are as follows:

		Thousands of euros
	31/12/2021	**31/12/2020**
Andorra Banc Agrícol Reig, SA and consolidation adjustments	**5,604**	**13,063**
Fully consolidated companies:	**21,426**	**16,407**
Andorra Gestió Agrícol Reig, SA	1,695	1,150
Andbank Bahamas (Limited)	(60)	(157)
Nobilitas N.V. Group	2,578	1,762
Columbus de México, SA, CV	567	902
And Private Wealth, SA	651	231
Quest Capital Advisers	516	576
Andbanc Wealth Management LLC Group	1,291	503
Consolidation adjustments Nobilitas Group	(447)	(450)
Andbank Luxembourg Group	3,017	1,003
Andbank (Luxembourg) SA	1,485	703
Andbank Asset Management Luxembourg, SA	2,280	752
Ajustes de Consolidación Grupo Andbank Lux.	(748)	(452)
Andbank España Group	13,515	12,007
Andbank España, SAU	1,281	7,613
Andbank Wealth Mangament,SGIIC, SAU	5,004	3,206
Medipatrimonia Invest, SL	376	376
APC Servicios Administrativos, SLU	28	30
Andbank correduria de Seguros, SLU	(1)	(25)
WealthPrivate Bank, S.A.U	(7,236)	182
Merchbanc, EGPF, SA	289	(77)
Merchbanc, Internacional SARL	(54)	1,047
MyInvestor, SLU	(6,431)	(345)
Consolidation adjustments Andbank España Group	20,259	(587)
Quest Wealth Advisers, Inc (Panama)	(556)	(587)
APW Consultores Financeiros Ltda.	113	11
Andbank Monaco, SAM	1,099	968
Banco Andbank Brasil, SA	(1,610)	(927)
Andorra Assegurances Agrícol Reig, SAU	75	223
Other	1,559	954
	27,030	**29,470**

21. Accumulated other comprehensive income - Equity

Details of accumulated other comprehensive income during 2021 and 2020 by type of instrument are as follows:

		Thousands of euros
	31/12/2021	31/12/2020
Items that will not be reclassified to profit or loss	**(17)**	**84**
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	(17)	84
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	**(44,712)**	**(38,428)**
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	(39,836)	(39,513)
Hedging derivatives Cash flow hedges (effective portion)	(755)	(588)
Fair value changes of debt instruments measured at fair value through other comprehensive income	(4,121)	1,673
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	-	-
	(44,729)	**(38,344)**
Income tax relating to items that will not be reclassified to profit or loss	1	(9)
Income tax relating to items that may be reclassified to profit or loss	4,471	3,842
	(40,257)	**(34,511)**

The statement of recognised income and expenses for 2021 and 2020, 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 treasury 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 2021 and 31 December 2020 is as follows:

		Thousands of euros
	31/12/2021	**31/12/2020**
Loan commitments given	**510,170**	**357,725**
Of which: Non-performing:	2,188	2,825
Central banks	-	-
General governments	27,641	25,923
Credit institutions	-	-
Other financial corporations	37,868	24,287
Non-financial corporations	302,079	192,882
Households	142,582	114,633
Financial guarantees given	**93,955**	**71,327**
Of which: Non-performing:	-	-
Central banks	-	-
General governments	71	71
Credit institutions	4,782	6,557
Other financial corporations	1,645	4,574
Non-financial corporations	63,835	35,204
Households	23,622	24,921
Other commitments given	**10,102**	**16,648**
Of which: Non-performing:	-	-
Central banks	-	-
General governments	-	-
Credit institutions	819	602
Other financial corporations	4,554	6,764
Non-financial corporations	3,993	7,353
Households	736	1,929

		Thousands of euros
	31/12/2021	**31/12/2020**
	Maximum amount of guarantee	Maximum amount of guarantee
Financial guarantees received	**395,474**	**370,296**
Central banks	-	-
General governments	14,860	18,537
Credit institutions	7,743	500
Financial corporations	3,963	70
Other non-financial companies	215,017	20,687
Households	153,892	330,502

23. Third party transactions

A breakdown of the most significant accounts included in this line item at 31 December 2021 and 31 December 2020 is as follows:

Thousands of euros	31/12/2021	31/12/2020
Shares and other variable-income securities	3,460,865	3,091,939
Bonds and other fixed-income securities	2,246,000	2,285,827
Units in investment funds not managed by the Group	9,589,345	7,719,413
Units in investment funds managed by the Group	92,434	93,753
Other	8,843	8,608
	15,397,487	**13,199,540**

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 2021 and 2020 are as follows:

Thousands of euros	31/12/2021			31/12/2020		
	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	2,206,917	1,474,248	3,681,165	1,198,865	992,001	2,190,866
Individual customer portfolio managed discretionally	2,500,802	9,804,792	12,305,594	1,952,213	7,900,685	9,852,898
Other individual customers	14,261,180	-	14,261,180	13,258,751	-	13,258,751
	18,968,899	**11,279,040**	**30,247,939**	**16,409,829**	**8,892,686**	**25,302,515**

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 2021 and 31 December 2020 are as follows:

Thousands of euros	31/12/2021	31/12/2020
Financial assets held for trading	2,504	1,692
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	186	-
Financial assets at fair value through other comprehensive income	4,275	4,358
Financial assets at amortised cost	39,818	35,799
Of which: Debt securities	6,859	4,448
Of which: Loans and advances	32,959	31,351
Derivatives - Hedge accounting, interest rate risk	-	14
Other assets	-	3
	46,783	**41,866**

b. Interest 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 2021 and 31 December 2020 are as follows:

		Thousands of euros
	31/12/2021	**31/12/2020**
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	14,244	18,649
Of which: deposits	10,723	12,561
Of which: Debt securities issued	3,521	6,088
Other liabilities	1,499	1,732
Interest expense on assets	-	-
Derivatives - hedge accounting, interest rate risk	413	201
	16.156	**20.582**

25. Dividend income

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

		Thousands of euros
	31/12/2021	**31/12/2020**
Dividend income		
Financial assets at fair value through other comprehensive income	192	118
Investments in subsidiaries, joint ventures and others accounted for using the equity method	-	-
	192	**118**

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 2021 and 31 December 2020 is as follows:

		Thousands of euros
	31/12/2021	**31/12/2020**
Fee and commission income		
Fees and commission on services	9,148	7,420
Income from services	12,124	13,261
Fees and commission on giros	1,400	1,075
Fees and commission on safe deposit rental	237	259
Fees and commission on credit cards	1,828	1,542
Fees and commission on account maintenance	5,775	7,608
Other	2,884	2,777
Surety bonds	558	664
Fees and commission on transferable securities	201,393	160,701
Stock exchange transactions on behalf of customers	67,527	57,896
Securities depositary management	21,834	19,776
Financial transactions	112,032	83,029
	223,223	**182,046**

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 2021 and 31 December 2020 is as follows:

		Thousands of euros
	31/12/2021	**31/12/2020**
Fee and commission expenses		
Securities deposits	819	894
Fees and commission on credit cards	1,459	1,274
Swift expenses	235	311
Representation expenses	70,904	51,424
Other	8,232	3,855
	81,649	**57,758**

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 2021 and 31 December 2020 are as follows:

		Thousands of euros
	31/12/2021	**31/12/2020**
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	2,669	6,926
Financial assets at fair value through other comprehensive income	2,592	6,926
Financial assets at amortised cost	77	-
Financial liabilities measured at amortised cost	-	-
Other	-	-
Gains or losses on financial assets and liabilities held for trading, net	38,375	48,571
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(24)	3,075
Gains or losses on financial assets designated at fair value through profit or loss, net	(354)	104
Gains or losses from hedge accounting, net	(378)	(270)
	40,288	**58,406**

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 2021 and 31 December 2020 are as follows:

		Thousands of euros
	31/12/2021	**31/12/2020**
Gains or losses on financial assets and liabilities held for trading, net		
Derivatives	10,385	10,999
Equity instruments	429	(839)
Debt securities	27,561	38,411
	38,375	**48,571**

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 2021, excluding those corresponding to the portfolio of financial assets and financial liabilities at fair value through profit or loss, amount to Euros 4,834 thousand (Euros 5,463 thousand at 31 December 2020).

30. Other operating income/expenses

A breakdown of the balance of this line item of the consolidated income statement at 31 December 2021 and 31 December 2020 is as follows:

Thousands of euros				
	31/12/2021		31/12/2020	
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	64	-	120	-
Operating leases other than investment property	726	-	707	-
Other	9,492	(10,612)	7,899	(6,278)
	10,282	**(10,612)**	**8,726**	**(6,278)**

31. Administrative expenses

▪a. Staff expenses

A breakdown of the amounts included under this line item in the consolidated income statement for 2021 and 2020 is as follows:

Thousands of euros		
Staff expenses	**31/12/2021**	**31/12/2020**
Salaries and bonuses to current employees	82,779	77,174
Social Security contributions	14,861	13,307
Other salary commitments	805	650
Severance payments	1,076	1,844
Other staff expenses	5,065	6,297
	104,586	**99,272**

▪b. Other administrative expenses

A breakdown of this line item of the consolidated income statement at 31 December 2021 and 31 December 2020 is as follows:

Thousands of euros		
Other administrative expenses	**31/12/2021**	**31/12/2020**
Furniture, fittings and materials	2,205	2,131
Utilities	870	856
IT and communications	21,870	21,294
Publicity and advertising	3,325	3,306
Security and fund courier services	318	439
Insurance and self-insurance premiums	1,081	829
Independent professional services	11,382	14,472
Repairs and maintenance	1,354	1,581
Administration	5,660	4,538
Other	2,925	3,134
	50,990	**52,580**

32. Provisions or reversals of provisions

At 31 December 2021 and 31 December 2020 net charges to this line item of the consolidated income statement are as follows:

		Thousands of euros
	31/12/2021	**31/12/2020**
Provisions or reversals of provisions		
Pensions and other post employment defined benefit obligations and other long-term employee benefits	(220)	(369)
Pending legal issues and tax litigation	(3,075)	(272)
Commitments and guarantees given	(6)	16
Other provisions	(13,617)	(248)
	(16,918)	**(873)**

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 2021 and 31 December 2020 are as follows:

			Thousands of euros
31 December 2021	Gains	(Losses)	Total net of gains and losses
Financial assets carried at cost	-	-	-
Financial assets at fair value through other comprehensive income	12	-	12
Financial assets at amortised cost	6,593	(4,268)	2,325
	6,605	**(4,268)**	**2,337**

			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**

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

At 31 December 2021 and 31 December 2020 the Andbank Group presents the following balance classified as impairment or reversal of impairment on non-financial assets:

		Thousands of euros
	31/12/2021	**31/12/2020**
Impairment or reversal of impairment on non-financial assets		
Property, plant and equipment	(628)	(255)
Investment property	-	-
Intangible assets	(1,735)	(243)
Other assets	(305)	(18)
	(2,668)	**(516)**

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 2021 and 31 December 2020 are as follows:

		Thousands of euros
	31/12/2021	**31/12/2020**
Net gains on sale of buildings	1,176	1,600
Impairment of non-current assets held for sale	(173)	(110)
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	(197)	-
	806	**1,490**

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. A breakdown of transactions with related parties identified in 2021 and 2020 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 2021 and 31 December 2020 are as follows:

		Thousands of euros
	Outstanding balances	
2021	Key management personnel of the Bank or its Parent	Other related parties
Selection of financial assets	**2,384**	**75,409**
Equity instruments	-	-
Debt securities	-	-
Loans and advances	2,384	75,409
Of which: financial assets subject to impairment	-	-
Selection of financial liabilities	**3,455**	**22,607**
Deposits	3,455	22,207
Debt securities issued	-	400
Nominal amount of loan, financial guarantee and other commitments given	**15**	**9,831**
Notional amount of derivatives	**-**	**-**
Income statement	**36**	**1,029**
Finance income	8	885
Finance costs	-	-
Fee and commission income	28	144
Fee and commission expenses	-	-
Memorandum items	**2,754**	**50,299**
Security deposits and other securities held in custody	2,754	50,299

2020	Outstanding balances	
	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	**36**	**1,029**
Finance income	8	885
Finance costs	-	-
Fee and commission income	28	144
Fee and commission expenses	-	-
Memorandum items	**14,077**	**122,072**
Security deposits and other securities held in custody	14,077	122,072

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 2021 and 2020 by key management personnel are as follows:

	2021	2020
Remuneration		
Fixed remuneration	4,369	4,140
Variable and deferred remuneration	1,646	1,747
Other staff expenses	251	216
Total	**6,266**	**6,103**

Thousands of euros

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:

	31/12/2021	31/12/2020
Current income tax for the year	(214)	(1,134)
Deferred tax income	-	-
Income tax adjustments	352	639
Local income tax	138	(495)
Foreign income tax	(434)	(5,417)
Total	**(296)**	**(5,912)**

Thousands of euros

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		
	31/12/2021	31/12/2020
Accounting profit before tax	(3,017)	16,938
Permanent differences	10,768	2,778
originating in the year	10,768	2,778
originating in prior years	-	-
Accounting income	7,751	19,716
Tax rate of 10%	775	1,972
Tax payable	775	1,972
Deductions and credits	(561)	(838)
Income tax expense for the year	214	1,134

A reconciliation between accounting profit before tax and the aggregate income tax expense of the Andbank Group's Andorran companies for 2021 and 2020 is as follows:

Thousands of euros		
	31/12/2021	31/12/2020
Income and expenses for the year	(3,017)	16,938
10% of the income and expenses balance for the year	(302)	1,694
Tax effect of permanent differences	1,077	278
Deductions and credits for the current year	(561)	(838)
Income tax expense	214	1,134

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 2021 and 2020. Movement in the different deferred tax assets and liabilities of the Andbank Group's Andorran companies during 2021 and 2020 has been as follows (in thousands of Euros):

Thousands of euros				
	Deferred tax assets		Deferred tax liabilities	
	2021	2020	2021	2020
Opening balance	10,563	11,574	677	31
Increases	1,254	265	162	646
Decreases	(426)	(1,276)	-	-
Closing balance	**11,391**	**10,563**	**839**	**677**

Details, by type, of the origin of deferred tax assets and liabilities of the Andbank Group's Andorran companies at 31 December 2021 and 31 December 2020 are as follows:

Thousands of euros		
	31/12/2021	31/12/2020
Deferred tax assets		
Differences due to temporary charging of income and expenses		
Provisions and other impairment	2,533	2,935
Other	3,171	782
Other assets	5,687	6,846
	11,391	**10,563**
Deferred tax liabilities		
Other	839	677
	839	**677**

Deferred tax assets include amounts recognised by the Andbank Group's Andorran companies for unused deductions (Euros 928 thousand) and for tax losses (Euros 4,722 thousand) once the forecast income tax for 2021 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. 2021 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 2021, 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 2021 Andbank's capital is significantly above these minimum ratios. In this regulatory environment, Andbank's capital ratios at 31 December 2021 are:

	Law 35/2018
CET1 ratio	14.88%
TIER1 ratio	17.17%
Total capital ratio	17.17%

▪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 primarily 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 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 2021 and 2020, 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	31/12/2021	31/12/2020
Financial assets held for trading	221,918	189,958
Derivatives	119,575	108,897
Equity instruments	778	2,034
Debt securities	101,565	79,027
Loans and advances	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	9,275	8,990
Equity instruments	9,275	8,990
Debt securities	-	-
Loans and advances	-	-
Financial assets designated at fair value through profit or loss	13,333	13,619
Equity instruments	-	-
Debt securities	13,333	13,619
Loans and advances	-	-
Financial assets at fair value through other comprehensive income	330,717	318,276
Equity instruments	8,750	13,880
Debt securities	321,967	304,396
Financial assets at amortised cost	3,512,148	2,834,770
Debt securities	556,656	514,095
Loans and advances	2,955,492	2,320,675
Derivatives - Hedge accounting	2,955	4,089
Total exposure for financial assets	**4,090,346**	**3,369,702**
Loan commitments given	510,170	357,725
Financial guarantees given	93,955	71,327
Other commitments and other guarantees given	10,102	16,648
Total commitments and guarantees given	**614,227**	**445,700**
Total maximum exposure to credit risk	**4,704,573**	**3,815,402**

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:

	31/12/2021	31/12/2020
Rating		
AAA	43,774	52,060
From AA+ to AA-	43,848	100,350
From A+ to A-	496,235	426,828
BBB+	254,888	196,477
BBB or lower	154,776	135,421
	993,521	**911,137**

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 gross loans and advances at 31 December 2021 and 2020 classified based on the ageing of the first unpaid maturity, differentiating between non-doubtful and doubtful, together with value adjustments:

		Non-doubtful	
31 December 2021			Not past due or past due <= 30 days
Loans and advances	**2,509,658**	**2,460,413**	**2,272,727**
Central banks	-	-	-
General governments	12,623	12,623	12,125
Credit institutions	23	23	23
Other financial corporations	72,053	72,049	72,049
Other non-financial corporations	1,018,975	985,663	833,105
Of which: small and medium-sized enterprises	538,681	505,369	504,216
Of which: secured by commercial real estate	42,548	18,614	18,614
Households	1,405,984	1,390,055	1,355,425
Of which: secured by residential real estate	591,055	585,179	584,492
Of which: credit for consumption	173,233	173,114	171,119

		Non-doubtful	
31 December 2020			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

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
-	**187,686**	**49,245**	**22,684**	**956**	**2,840**	**13,935**	**8,830**
	-	-	-	-	-	-	-
	498	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	4	-	2	-	2	-
	152,558	33,312	22,399	34	1,508	7,880	1,491
	1,153	33,312	22,399	34	1,508	7,880	1,491
	-	23,934	22,399	-	-	1,428	107
	34,630	15,929	285	920	1,332	6,053	7,339
	687	5,876	285	702	875	2,373	1,641
	1,995	119	7	84	2	26	-

Thousands of euros

Gross carrying amount / Nominal amount							
		Dubtoses					
	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

31 December 2021		Non-doubtful exposure - Accumulated impairment and provisions
Loans and advances	**(39,692)**	**(28,174)**
Central banks	-	-
General governments	(98)	(98)
Credit institutions	-	-
Other financial corporations	(59)	(56)
Other non-financial corporations	(25,412)	(20,508)
Of which: small and medium-sized enterprises	(5,084)	(180)
Of which: secured by commercial real estate	(3,342)	(12)
Households	(14,123)	(7,512)
Of which: secured by residential real estate	(2,154)	(31)
Of which: credit for consumption	(216)	(139)

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)

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
	(11,518)	**(3,186)**	**(290)**	**(924)**	**(3,857)**	**(3,261)**
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	(3)	-	(1)	(1)	(1)	-
	(4,904)	(3,020)	(26)	(419)	(786)	(653)
	(4,904)	(3,020)	(26)	(419)	(786)	(653)
	(3,330)	(3,020)	-	-	(249)	(61)
	(6,611)	(166)	(263)	(504)	(3,070)	(2,608)
	(2,123)	(166)	(135)	(314)	(842)	(666)
	(77)	(5)	(44)	(2)	(26)	-

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)

Impairment losses

Movements during 2021 and 2020 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 2021	Opening balance	Increases due to origin and acquisition	Increases due to origin and acquisition
Provisions for financial assets without increase in credit risk since initial recognition (Stage 1)	**(1,538)**	**(614)**	**327**
Debt securities	-	-	-
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	-	-	-
Loans and advances	(1,538)	(614)	327
Central banks	-	-	-
General governments	(153)	(13)	104
Credit institutions	-	-	-
Other financial corporations	(9)	(38)	-
Non-financial corporations	(588)	(360)	170
Households	(788)	(203)	53
Provisions for debt instruments with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	**(26,657)**	**(8)**	**200**
Debt securities	-	-	-
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	-	-	-
Loans and advances	(26,657)	(8)	200
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	(19,523)	(4)	25
Households	(7,134)	(4)	175
Provisions for credit-impaired debt instruments (Stage 3)	**(15,634)**	**(138)**	**2,214**
Debt securities	-	-	-
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	-	-	-
Loans and advances	(15,634)	(138)	2,214
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	(26)	(2)	34
Non-financial corporations	(6,719)	(19)	1,391
Households	(8,889)	(117)	789
Total	**(43,829)**	**(760)**	**2,741**

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
170	**-**	**-**	**-**	**(1,655)**
-	**-**	**-**	**-**	**-**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
170	-	-	-	(1,655)
-	-	-	-	-
1	-	-	-	(61)
-	-	-	-	-
(9)	-	-	-	(56)
75	-	-	-	(703)
103	-	-	-	(835)
(54)	**-**	**-**	**-**	**(26,519)**
-	**-**	**-**	**-**	**-**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(54)	-	-	-	(26,519)
-	-	-	-	-
(37)	-	-	-	(37)
-	-	-	-	-
-	-	-	-	-
(303)	-	-	-	(19,805)
286	-	-	-	(6,677)
438	**-**	**1,602**	**-**	**(11,518)**
-	**-**	**-**	**-**	**-**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
438	-	1,602	-	(11,518)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(9)	-	-	-	(3)
19	-	424	-	(4,904)
428	-	1,178	-	(6,611)
554	**-**	**1,602**	**-**	**(39,692)**

31 December 2020	Opening balance	Increases due to origin and acquisition	Increases due to origin and acquisition
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)**

Risk concentration

Details of the risk concentrations of the different financial instruments, by product and geographical area, at 31 December 2021 and 31 December 2020, are as follows:

31/12/2021	**Financial assets held for trading**			**Financial assets designated at fair value through profit or loss**	**Non-trading financial assets mandatorily at fair value through profit or loss**
Concentration by country	Debt securities	Equity instruments	Derivatives	Debt securities	Equity instruments
Spain	57,248	5	2,319	-	2,772
France	7,249	-	248	13,333	-
Italy	915	-	-	-	-
Germany	6,339	-	-	-	-
Holland	2,888	-	17,740	-	-
Andorra	25,460	12	4,167	-	4,733
Rest of Europe	547	3	19,206	-	-
USA	322	3	15,739	-	1,770
Latin America	330	650	-	-	-
Other	267	105	60,156	-	-
	101,565	**778**	**119,575**	**13,333**	**9,275**

31/12/2020	**Financial assets held for trading**			**Financial assets designated at fair value through profit or loss**	**Non-trading financial assets mandatorily 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**

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
	82,207	3,524	152,007	269,637	607,042	1,222,325
	34,591	-	39,563	-	326,918	169,757
	-	-	78,701	-	36	9,934
	7,452	-	15,550	-	-	3,282
	-	-	19,063	91	8,210	753
	88,294	2,719	22,895	-	7,808	610,500
	25,901	2,003	64,710	212,972	106,068	279,381
	51,815	425	125,752	-	1,181	23,015
	13,126	-	10,743	2,643	3,438	42,329
	18,581	79	27,672	183	1,055	148,382
	321,967	**8,750**	**556,656**	**485,526**	**1,061,756**	**2,509,658**

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**

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 2021, as well as the balances of collateral and other offsetting agreements:

Thousands of euros

31 December 2021	Carrying amount	Clearing agreements and collateral	Net exposure
Financial assets			
Derivatives	122,530	(34,821)	87,709
Loans and advances	481,747	(35,169)	446,578
Financial liabilities			
Derivatives	62,604	(30,588)	32,016
Deposits	381,281	(18,092)	363,189

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

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 2021 the average VaR calculated for the trading portfolio was Euros 136 thousand, with a maximum of Euros 324 thousand and a minimum of Euros 70 thousand. The average position of the trading portfolio was Euros 199 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 2021 and 2020, 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 2021	VaR at 31/12/2021	Average VaR for the period	Maximum VaR for the period (*)	Minimum VaR for the period (*)
Interest rate risk	140	126	323	70
Spread risk	24	37	19	20
Variable income risk	-	-	-	-
Diversification effect	(15)	(27)	(18)	(20)
Total	149	136	324	70

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

				Thousands of euros
At 31 December 2020	VaR at 31/12/2020	VaR at 31/12/2020	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.

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.

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 2021 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 2021	Up to one month	From one month to three months	From three months to one year	From one to five years	From one to five years	Not sensitive	Total balance
Cash, balances with other central banks and other demand deposits	1,079,398	-	-	-	-	-	1,079,398
Financial assets	55,838	155,349	71,075	387,862	316,429	25,771	1,012,324
Loans and receivables	538,492	479,560	1,549,458	129,819	294,452	(36,289)	2,955,492
Loans and credits to entities	208,778	50,000	23,059	48,341	154,480	868	485,526
Credits to customers	329,714	429,560	1,526,399	81,478	139,972	(37,157)	2,469,966
Derivatives	-	-	-	-	-	119,575	119,575
Hedging derivatives	-	-	-	-	-	2,955	2,955
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	3,138	3,138
Other assets	-	-	-	-	-	571,855	571,855
Total assets	**1,673,728**	**634,909**	**1,620,533**	**517,681**	**610,881**	**687,005**	**5,744,737**
Financial liabilities held for trading	-	-	-	-	-	57,847	57,847
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	1,337,438	136,674	253,957	2,023,828	335,837	877,754	4,965,488
Deposits in central banks	16,582	-	-	164,250	-	-	180,832
Deposits in banks	60,149	50,122	33,706	48,341	249,014	2,689	444,021
Customer deposits	1,075,328	61,493	164,687	1,767,261	53,500	730,774	3,853,043
Demand	*1,019,871*	*50,883*	*129,610*	*1,719,517*	-	*729,388*	*3,649,269*
Term	*55,457*	*10,610*	*35,077*	*47,744*	*53,500*	-	*202,388*
Unpaid interest incurred	-	-	-	-	-	*1,386*	*1,386*
Other financial liabilities	-	-	-	-	-	-	-
Debt securities	185,378	25,060	55,563	43,977	33,322	545	343,845
Other financial liabilities	-	-	-	-	-	143,747	143,747
Hedging derivatives	-	-	-	-	-	4,757	4,757
Liabilities under insurance contracts	-	-	-	-	-	5,108	5,108
Other liabilities	-	-	-	-	-	124,809	124,809
Total liabilities	**1,337,438**	**136,674**	**253,957**	**2,023,828**	**335,837**	**1,070,275**	**5,158,009**
Equity	-	-	-	-	34,700	552,028	586,728
Total Liabilities + Equity	**1,337,438**	**136,674**	**253,957**	**2,023,828**	**370,537**	**1,622,303**	**5,744,737**
Assets	1,673,727	634,910	1,620,532	517,681	610,880	687,007	5,744,737
Liabilities	1,337,438	136,674	253,957	2,023,828	370,536	1,622,303	5,744,737
IRS - Derivatives	**38,000**	**2,790**	**25,423**	**(23,000)**	**(45,653)**	**-**	**(2,440)**
SIMPLE GAP	**374,289**	**501,025**	**1,391,999**	**(1,529,147)**	**194,690**	**(935,296)**	**(2,440)**
ACCUMULATED GAP	**374,289**	**875,314**	**2,267,313**	**738,165**	**932,856**	**(2,440)**	**-**

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	From one to 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
Loans and credits to entities	274,262	-	4,769	56,808	85,520	798	422,157
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
Deposits in central banks	53,377	-	-	115,370	-	-	168,747
Deposits in banks	227,375	60,566	-	60,917	88,986	1,736	439,580
Customer deposits	208,176	306,296	1,233,347	43,598	10,600	1,587,092	3,389,109
Demand	*132,128*	*264,257*	*1,189,155*	-	-	*1,585,541*	*3,171,081*
Term	*76,048*	*42,039*	*44,192*	*43,598*	*10,600*	-	*216,477*
Unpaid interest incurred	-	-	-	-	-	*1,551*	*1,551*
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	-	-	-	-	-	3,052	3,052
Other liabilities	-	-	-	-	-	118,288	118,288
Total liabilities	**669,516**	**379,696**	**1,299,742**	**293,641**	**139,586**	**1,908,685**	**4,690,866**
Equity	-	-	-	-	34,800	501,390	536,190
Total Liabilities + Equity	**669,516**	**379,696**	**1,299,742**	**293,641**	**174,386**	**2,410,075**	**5,227,056**
Assets	2,007,193	631,992	1,008,298	489,032	432,842	657,699	5,227,056
Liabilities	669,516	379,696	1,299,742	293,641	174,386	2,410,075	5,227,056
IRS - Derivatives	**38,000**	**(19,302)**	**25,213**	**(23,000)**	**(40,515)**	**-**	**(19,604)**
SIMPLE GAP	**1,375,677**	**232,994**	**(266,231)**	**172,391**	**217,941**	**(1,752,376)**	**(19,604)**
ACCUMULATED GAP	**1,375,677**	**1,608,671**	**1,342,440**	**1,514,831**	**1,732,772**	**(19,604)**	**-**

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 2021	Increase of 25 basis points	Decrease of 25 basis points	Increase of 100 basis points	Decrease of 100 basis points
Average for the period	9.18%	(8.69%)	(2.98%)	3.89%
Maximum for the period	11.60%	(6.41%)	0.54%	5.99%
Minimum for the period	7.44%	(12.33%)	(4.88%)	(0.70%)

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%

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	**2021**	**2020**
USD	4,780	1,912
GBP	(1,130)	(50)
CHF	(230)	(150)
JPY	460	-

▪e. Liquidity risk

Liquidity risk is defined as the risk that the Bank 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 control department controls the liquidity available at different day ends, verifying that they remain above the minimum liquidity level established. During 2021 this minimum level currently stands at Euros 150 million in a day, Euros 300 million at two days 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 Bank 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 2021 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 Bank relative to the amount of required stable funding with a time horizon of one year. The level of this ratio at the 2021 reporting date is 131%, 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 2021 and 2020 by contractual maturity or, where applicable by expected realisation or settlement terms:

Thousands of euros

31 December 2021	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	962,899	-	12,235	-	104,264	-	1,079,398
Financial assets	8,658	111,995	68,076	412,760	385,064	25,772	1,012,324
Loans and receivables	301,650	152,899	589,054	1,075,384	872,794	(36,289)	2,955,492
Loans and credits to entities	208,778	50,000	23,059	48,341	154,480	868	485,526
Credits to customers	92,872	102,899	565,995	1,027,043	718,314	(37,157)	2,469,966
Derivatives	-	-	-	-	-	119,575	119,575
Hedging derivatives	-	-	-	-	-	2,955	2,955
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	3,138	3,138
Other assets	-	-	-	-	-	571,855	571,855
Total assets	**1,273,207**	**264,894**	**669,365**	**1,488,144**	**1,362,122**	**687,005**	**5,744,737**
Financial liabilities held for trading	-	-	-	-	-	57,847	57,847
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	1,140,457	81,053	378,128	617,660	1,870,437	877,754	4,965,488
Deposits in central banks	16,582	-	-	164,250	-	-	180,832
Deposits in banks	37,252	9,500	22,878	61,641	310,062	2,689	444,021
Customer deposits	1,080,611	61,493	164,687	342,508	1,472,970	730,774	3,853,043
Demand	1,019,870	50,883	129,610	300,048	1,419,470	729,388	3,649,269
Term	60,741	10,610	35,077	42,460	53,500	-	202,388
Unpaid interest incurred	-	-	-	-	-	1,386	1,386
Other financial liabilities	-	-	-	-	-	-	-
Debt securities	6,012	10,060	190,563	49,261	87,405	544	343,845
Other financial liabilities	-	-	-	-	-	143,747	143,747
Hedging derivatives	-	-	-	-	-	4,757	4,757
Liabilities under insurance contracts	-	-	-	-	-	5,108	5,108
Other liabilities	-	-	-	-	-	124,809	124,809
Total liabilities	**1,140,457**	**81,053**	**378,128**	**617,659**	**1,870,438**	**1,070,275**	**5,158,009**
Equity	-	-	-	-	34,700	552,028	586,728
Total Liabilities + Equity	**1,140,457**	**81,053**	**378,128**	**617,659**	**1,905,138**	**1,622,303**	**5,744,737**
SIMPLE GAP	**132,750**	**183,841**	**291,237**	**870,485**	**(543,016)**	**(935,296)**	**-**
ACCUMULATED GAP	**132,750**	**316,591**	**607,828**	**1,478,313**	**935,297**	**-**	**-**

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	-	-	-	-	-	3,052	3,052
Other liabilities	-	-	-	-	-	118,288	118,288
Total liabilities	**797,002**	**217,966**	**263,244**	**814,846**	**1,652,347**	**945,461**	**4,690,866**
Equity	-	-	-	-	34,800	501,390	536,190
Total Liabilities + Equity	**797,002**	**217,966**	**263,244**	**814,846**	**1,687,147**	**1,446,851**	**5,227,056**
SIMPLE GAP	**712,033**	**(127,041)**	**228,389**	**472,499**	**(506,397)**	**(779,483)**	**-**
ACCUMULATED GAP	**712,033**	**584,992**	**813,381**	**1,285,880**	**779,483**	**-**	**-**

Those assets which at 31 December 2021 and 2020 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 2021	Carrying amount of committed assets	Market value of committed assets	Carrying amount of non-committed assets	Market value of non-committed assets
Equity instruments	-	-	18,803	18,803
Debt securities	596,315	597,966	397,206	393,357
Loans and advances	-	-	-	-

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	-	-	-	-

At 31 December 2021 and 2020 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 2021	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	425,231	178,692	246,539
Loans and advances	-	-	-

Thousands of euros

At 31 December 2020	Valor raonable de garanties rebudes compromeses o autocartera emesa	Valor raonable de garanties rebudes o autocartera emesa disponible per a comprometre	Valor raonable de garanties rebudes o autocartera emesa no disponible per a comprometre
Guarantees received			
Equity instruments	-	-	-
Debt securities	452,428	134,308	318,120
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. Risk definition and management

In accordance with Law 35/2018 on solvency, liquidity and prudential supervision of banking entities and investment firms, the Bank 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 Bank 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 Bank'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 Bank, 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 Bank are:

- An annual Risk & Control Self-Assessment including a risks map, which consists of assessing the activities in order to identify those processes and/or tasks which could generate a risk within the Bank's day-to-day operations, as well as the individuals responsible and controls. The objective is to define mitigation measures and action plans to reduce risk exposure.
- 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.
- Key risk indicators (KRIs) enable proactive management of the risk, evaluating the level of operational control through analysis and monitoring of its performance.
- Action plans that are defined to mitigate the risks of those events with high and/or critical residual risk.

iv. Calculation of eligible equity requirements.

In order to calculate the eligible equity requirements for operational risk the Bank 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 2021 the operational risk equity requirements, calculated using the basic indicator method, amounts to Euros 30,046 thousand with an exposure to operational risk of Euros 375,572 thousand (APRs).

▪e. Legislative 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 legislative compliance and reputational risks. Legislative 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 legislative 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 legislative 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 non-compliance and reputational risk.

Likewise, the Bank has a Legislative Compliance and Ethics Committee, the main aim of which is to oversee and supervise the adequacy and sufficiency of the legislative compliance model for the whole of the Andbank Group. This objective has been extended to 2021, as a result of the implementation of a criminal risk prevention model.

The main pillars on which Andbank has instrumented the management of legislative non-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.

Anti-money laundering and terrorism financing

Within the framework of Law 14/2017 on prevention and combat against the laundering of money or securities and the financing of terrorism, Andbank undertakes to actively combat money laundering and the 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, operations 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 legislative 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 legislative compliance function, making as many decisions as considered necessary for the aforementioned purposes.

In accordance with prevailing legislation, Andbank is subject to yearly independent supervision of the aforementioned processes.

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 oversees 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 19/2016 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.

Likewise, in accordance with prevailing legislation, Andbank is subject to yearly independent supervision of the aforementioned processes.

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 Bank defines the necessary training plans on the aforementioned topics. These training sessions are given by the Andbank Group or external providers either in situ or online with the aim of transmitting a culture of compliance to the whole of the organisation which is essential for the adequate management of legislative compliance risk.

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.

▪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 2021	Level 1	Level 2	Level 3
Financial assets held for trading	**49,489**	**172,429**	**-**
Derivatives	-	119,575	-
Equity instruments	654	124	-
Debt securities	48,835	52,730	-
Non-trading financial assets mandatorily at fair value through profit or loss	**1,683**	**7,592**	**-**
Equity instruments	1,683	7,592	-
Debt securities	-		
Financial assets designated at fair value through profit or loss	**-**	**13,333**	**-**
Debt securities	-	13,333	-
Financial assets at fair value through other comprehensive income	**231,925**	**98,792**	**-**
Equity instruments	5,505	3,245	-
Debt securities	226,420	95,547	-
Derivatives - Hedge accounting	**-**	**2,955**	**-**
Financial assets not measured at fair value	**487,931**	**68,725**	**-**
Equity instruments	-	-	-
Debt securities	487,931	68,725	-
Financial liabilities held for trading	**-**	**57,847**	**-**
Derivatives	-	57,847	-
Derivatives - Hedge accounting	**-**	**4,757**	**-**

31 December 2020	Level 1	Level 2	Level 3
			Thousands of euros
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	-
Debt securities	-	-	-
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**	**-**

During 2021 and 2020 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 2021 and 2020 is provided below:

31 December 2021	Fair value	Valuation techniques	Significant non-observable input	Range of estimates (weighted average) for non-observable input
Level 2 financial instruments				
Derivatives	185,134	Discount Model, Credit Default Model Black-Scholes Futures	Not applicable	-
Equity instruments	10,961	Deal Value	Not applicable	-
Equity instruments	161,610	Others	Not applicable	-

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	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 2021 and 2020:

Financial assets at amortised cost	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31/12/2021	486,287	64,707	-	550,994	556,656
31/12/2020	425,000	95,220	-	520,220	514,095

40. Events after the reporting period

Russia's invasion of Ukraine on 24 February 2022 is causing uncertainty with regard to the economy and financial markets. The ongoing decisions to apply sanctions and counter-sanctions are contributing to increasing this uncertainty.

Geopolitical and economic risks currently exist which have become more evident due to the conflict, including the rise in volatility of financial markets, the increase in inflation (mainly hikes in energy and oil prices, as well as other commodities) and disruptions to the supply chain, which could trigger the deglobalisation of the worldwide economy, compounded by global trade protectionism and therefore a reduced integration of financial markets.

In this regard, the Andbank Group continues monitoring the effects deriving from the conflict, including the possible direct and indirect impact on the fair value of assets, liabilities and off-balance sheet exposures. It is also collaborating with supervisors, authorities and regulators with obligations as financial institutions, from all the jurisdictions where it operates. At the date these annual accounts were authorised for issue, there have been no material adverse impacts, nor is it considered that this situation could materially and adversely affect the Andbank Group's business or 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 1994 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 2021 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 2021 for operations under this programme is Euros 1,143 thousand (Euros 1,143 thousand at 31 December 2020), recognised under loans and advances to customers in the consolidated statement of financial position.

Law 14/2017 of 22 June 2017 on the prevention of 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 (BOPA) 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.

On 16 December 2021 this Law was amended once again by Law 37/2021 whereby: the scope of the parties under obligation has been expanded to include service providers related to all kinds of virtual assets without limitation to providers of services involving the exchange of virtual currency for fiat currencies and custodial wallets; access has been regulated to beneficial owner information contained in the Companies Register, Associations Register and the Foundations Register and the requirement that the applicant has to demonstrate a legitimate interest has been eliminated; a Financial and Assimilated Accounts Register has been created where banking entities, payment entities and electronic money entities operating in the Principality of Andorra declare in this Register the identification data of holders or beneficial owners of payment accounts, bank accounts identified by IBAN and safe-deposit box lease agreements; and, finally, access to information on real estate in Andorra has been specifically regulated.

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 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.

- Technical Committee agreement dated 29 January 2021 whereby was decided to extend financing to customers financially affected by COVID-19 by a period of six months.

- Decree 323/2021 of 29 September 2021 regulating the return or conversion into loans of outstanding debt corresponding to the first and second extraordinary guarantee programmes for companies and businesses due to the health emergency caused by the coronavirus SARS-CoV-2.

Law 10/2020 on adhesion of the Principality of Andorra to the International Monetary Fund (IMF) (Llei 10/2020 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.

Law 7/2021 of 29 April 2021 on the recovery and resolution of banking entities and investment firms (Llei 7/2021, del 29 d'abril, de recuperació i de resolució d'entitats bancàries i d'empreses d'inversió).

In its session held on 28 April 2021, the Principality of Andorra's General Council approved Law 7/2021 of 29 April 2021 on the recovery and resolution of banking entities and investment firms.

This law completes the adaptation started via Law 8/2015 to EU legislation, which is repealed by this law, creating a full framework for the restructuring and resolution of credit institutions and investment firms to Andorran legislation, in compliance with the international commitments acquired by the Principality of Andorra by way of the monetary accord signed with the European Union which introduces the forecasts that enable the full harmonisation of the Andorran system with the member states of the European Union with regard to recovery and resolution.

The purpose of the legislation is to make the ordered resolution of any financial institution possible, without serious systemic interruption and to minimise as far as possible the risk for taxpayers thanks to the protection of the functions that are critical for the financial market and the economy, ensuring that losses are borne by the shareholders and creditors of the entity in crisis.

Qualified Law 29/2021 of 28 October 2021 on personal data protection (Llei 29/2021, del 28 d'octubre, qualificada de protecció de dades personals).

Qualified Law 29/2021 on personal data protection was approved on 28 October 2021.

The purpose of the new legislation is to update the legislation relating to the treatment that both individuals or private entities such as the Andorran public Administration, give to the data relating to individuals adhering to the new EU regulation, contained in the genereal regulation for data protection and modernising the existing legal framework.

This law will not enter into force until May 2022.

Appendix 1 - Andbank Group company			
Company	Registered office	Activity	% Direct ownership
Caronte 2002, SLU (*)	Andorra	Services	100%
Mon Immobiliari, SLU	Andorra	Real estate	100%
Andorra Gestió Agrícol Reig, SAU, SGOIC	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 B.V	Holland	Special purpose vehicle	-
Andorra Assegurances Agrícol Reig, SAU	Andorra	Insurance	100%
And Private Wealth S.A	Switzerland	Wealth management	-
Columbus de México, SA de CV Asesor en Inversiones Independiente	Mexico	Wealth management	-
Quest Capital Advisers Agente de Valores, SA	Uruguay	Securities broker	-
Andbank Asset Management Luxembourg, S.A.	Luxembourg	Fund manager	-
Andbank Luxembourg, S.A.	Luxembourg	Bank	100%
Andbank España, S.A.U.	Spain	Bank	100%
Andbank Wealth Management, SGIIC, SAU	Spain	Fund manager	-
Medipatrimonia Invest, SL	Spain	Investment services	-
Merchbanc, E.G.F.P. S.A.	Spain	Investment fund manager	
Merchbanc, International, S.A.R.L	Luxembourg	Special Purpose Vehicle. Share holding	
Andbank Correduria de Seguros S.L.U.	Spain	Insurance intermediation	-
MyInvestor, S.A.	Spain	Agency Auxiliary services.	
Andbank Monaco S.A.M.	Monaco	Bank	95%
Andbank Corretora de Seguros de Vida, Ltda	Brazil	Insurance intermediation	99.98%
Andbank Gestao de Patrimonio Financeiro, Ltda	Brazil	Wealth management	1.93%
Banco Andbank (Brasil), 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	100.00%
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, Ltda	Brazil	Financial services	100%
AND PB Financial Services, S.A	Uruguay	Representation office	100%
Andorra Capital Agrícol Reig BV	Holland	Special purpose vehicle	100%
Quest Wealth Advisers, Inc	Panama	Investment security company	100%
AB Covered Bonds, D.A.C.	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	Agente Asesor Global de Inversiones	95.00%
WealthPrivat Bank, S.A.U.	Spain	Bank	100.00%
WealthPrivat Corporate Finance, S.A.U.	Spain	Financial services	-

(*) Under liquidation

2021							
% Indirect ownership	Audited company	Interim dividend	Equity	Capital	Reserves	Unused prior years' profit (losses)	Profit/ (loss)
-	No	-	112	32	6	75	(1)
-	No	-	32	30	95	(91)	(2)
-	Yes	-	3,713	1,000	1,019	-	1,695
-	No	-	0	2,448	58	(2,445)	(60)
-	Yes	-	34,802	1,000	44,135	(10,307)	(26)
100%	Yes	-	6,862	180	14,617	(7,867)	(68)
100%	Yes	-	30,742	27,860	714	1,914	253
-	Yes	-	2,970	2,404	481	10	75
100%	Yes	-	3,984	3,710	164	(541)	651
50%	Yes	-	4,390	1,368	(499)	2,955	567
100%	Yes	-	2,581	12	82	1,971	516
100%	Yes	-	5,669	3,000	389	-	2,280
-	Yes	-	44,575	54,100	(296)	(10,713)	1,485
-	Yes	-	196,299	75,000	74,083	45,935	1,281
100%	Yes	-	21,830	1,004	15,821	-	5,004
51%	Yes	650	1,153	54	881	-	868
100%	Yes	-	1,800	601	904	6	289
100%	No	-	1,955	25	1,984	-	(54)
100%	Yes	-	311	3	309	-	(1)
70.95%	No	-	9,410	12,538	8,422	(5,119)	(6,431)
-	Yes	-	28,294	21,000	2,970	3,225	1,099
-	Yes	-	303	1	(20)	164	157
-	Yes	-	474	306	(11)	40	138
-	Yes	-	44,499	75,892	(16,973)	(11,413)	(3,007)
100%	Yes	-	107	284	(7)	(136)	(34)
-	Yes	-	3,446	388	8,313	(5,253)	(2)
100%	Yes	-	5,738	0	7,565	(2,186)	359
100%	Yes	-	(1,326)	-	882	(2,944)	737
100%	Yes	-	1,748	199	796	899	(145)
70%	Yes	-	(1,867)	0	-	(1,860)	(7)
-	Yes	-	1,038	370	(121)	586	202
100%	Yes	-	3,585	2,069	1,488	-	28
100%	Yes	-	7,235	18,742	386	(13,184)	1,291
100%	Yes	-	2,882	846	1,428	-	607
100%	Yes	-	2,255	919	979	-	357
-	Yes	-	587	1,317	548	(1,388)	111
-	Yes	-	194	355	(227)	26	40
-	Yes	-	942	18	-	778	145
-	Yes	-	2,361	951	(581)	2,548	(556)
-	Yes	-	529	0	-	414	115
-	Yes	-	(74)	1	-	(285)	210
-	Yes	-	407	569	1,005	(1,212)	45
-	Yes	-	0	608	(70)	(338)	(199)
-	Yes	-	22,630	46,520	(15,978)	-	(7,912)
100%	Yes	-	1,581	1,316	63	-	203

Annex 1- Societies of the Andbank Group

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 Luxembourg, SA	Luxembourg	Bank	100%
Andbank España, SAU	Spain	Bank	100%
Andbank Wealth Management, SGIIC, SAU	Spain	Fund manager	-
Medipatrimonia Invest, SL	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	95%
Andbank Corretora de Seguros de Vida, Ltda	Brazil	Insurance	99,98%
Andbank Gestao de Patrimonio Financeiro, Ltda	Brazil	Wealth management	99,99%
Banco Andbank (Brasil), 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%
Quest Wealth Advisers, Inc (Panamà)	Panama	Bank	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%

*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 2

ANNUAL REPORT 2021

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	72,970	305	(3,017)	138
Spain	83,873	457	15,458	(1,267)
Luxembourg	14,863	61	2,528	489
Monaco	17,252	48	1,495	(396)
Brazil	10,325	120	(1,026)	(314)
Israel	5,931	38	406	483
USA	4,956	19	438	66
Mexico	9,159	83	1,289	(387)
Uruguay	4,409	35	827	(9)
Switzerland	3,804	8	248	(18)
Panama	2,763	25	(554)	(2)
Other and adjustments	(12,788)	-	10,248	920
TOTAL	**217,516**	**1,199**	**28,341**	**(296)**

(*) 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 2021 the return on the consolidated Group's assets, calculated by dividing the consolidated profit for the year by total assets, stands at 0.47%

04 / Global Economy and Financial Markets Outlook 2020

Summary of 2021 and outlook for 2022

Global economic and financial market developments

Summary of 2021 and outlook for 2022

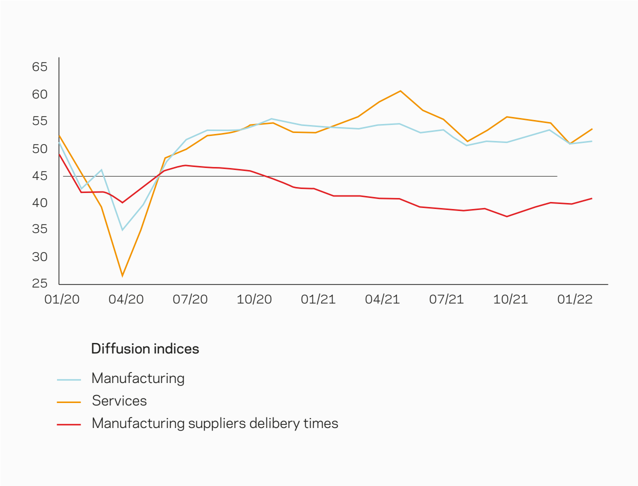
2021 - External environment and global economic performance: Recovery driven by strong political support and a strong rebound in global demand

According to the macroeconomic projections of the main international institutions, the rate of growth of world real GDP reached 6.3% in 2021.

The global economy expanded at a robust pace during the year, despite obstacles arising from the resurgence of the pandemic and bottlenecks in supply. The pandemic continued to hit hard throughout 2021, with the rate of COVID-19 infections increasing at different times around the world, weighing on economic activity even in countries that did not impose containment measures. In spite of this, global real GDP continued to recover, driven by robust political support and a strong rebound in global demand, especially for manufactured goods, as consumer demand shifted away from the service sector.

First signs of price pressures: As producers struggled to meet the growth in demand and expand the supply of goods by the same amount, after a year of practically zero investment in inventories and all kinds of disruptions in the logistics industry that caused strains in global production networks, the inevitable impact on price formation led to sharp increases in inflation during the second half of the year. Even so, this did not seriously affect the pace of the global business cycle towards the end of the year, as the graph below shows.

Global output PMI (excluding the euro area) by sector



Sources: IHS Markit and ECB calculations.

Note: The latest observations are for February 2022.

The euro area in 2021: Euro area real GDP grew by 5.3%, ending the year slightly above its pre-pandemic level. In the last quarter, the pace of expansion eased to 0.3%, due to weakness in private consumption, which contracted by 0.6% as a result of the increase in coronavirus (COVID-19) infections and the rise in energy prices, which undercut household purchasing power. Net trade also detracted from euro area growth in the fourth quarter. Investment and public consumption contributed positively to economic growth but not enough to avoid a contraction of real GDP in the quarter. Industrial production rates during the last quarter of 2021 suggested that supply bottlenecks persisted but were gradually easing.

2022 - Global outlook

World: The disruptions and bottlenecks were slowly being resolved at the start of the year. After the invasion of Ukraine and the sanctions on Russia, the projections had to be revised. Global growth in 2022 could slow to below 4% (from 6.3% in 2021)

Our macroeconomic projections point to moderate global economic activity in early 2022, partly because of the worsening of the pandemic in China, where the Omicron variant of the coronavirus (COVID-19) has started to spread rapidly, and also because of the persistence of supply bottlenecks and rising commodity prices, now aggravated by the sanctions on Russia. The Russia-Ukraine war has generated great uncertainty for the world outlook, especially in the short term.

Whereas in 2021 world real GDP grew at a rate of 6.3%, the pace of growth is expected to moderate to 4.1% in 2022 and 3.6% in 2023. The growth forecast for 2022 may have to be revised downward (as has already been happening) to take account of the economic fallout from the Russia-Ukraine war and the gradual unwinding of policy stimulus. After a strong rebound in 2021 (with global import growth of 12.1%), imports are expected to moderate significantly in 2022 as a result of the slowdown in activity caused by the negative impact the Russia-Ukraine war is having on world trade. Some surveys and studies indicate that global imports could grow at an even slower pace in 2023 and 2024, reflecting a general slowdown across all regions as a direct result of the ongoing conflict.

Returning to 2022, the results of the surveys conducted at the beginning of the year still pointed to steady growth in activity in the first quarter, as the supply side disruptions reached their peak at the end of 2021 and were starting to be resolved, leaving scope for a firmer outlook in the surveys. In February, before war broke out in Ukraine, the global composite PMI index stood at 53.1, up from 51 in January, driven mainly by the services sector, and the global manufacturing PMI index had also increased, albeit by a smaller amount, indicating positive but moderate growth. The global suppliers' delivery times PMI was slowly improving in the January-February period but still pointed to long delivery times, while congestion in ocen shipping remained high. Overall, given the strong growth in merchandise trade (with carmakers returning to normal production rates), the severe supply constraints in some sectors may have passed their peak in the early part of 2022. Based on this outlook, the experts generally assumed that supply bottlenecks would ease markedly over the course of 2022 and fully unwind by 2023. On this view, it was legitimate to think that inflation had probably peaked in the first quarter of 2022.

At the end of February, however, Russia invaded Ukraine, significantly amplifying the uncertainty, to the point where there began to be talk of tail risks and of how these risks are clearly tilted to the downside and could be significant if the conflict escalates, possibly even derailing the global recovery while fuelling inflationary pressures. As a result, central banks have their hands tied and find themselves unable to assist the economy in the midst of a slowdown. The Russian invasion of Ukraine is expected to weigh on the global outlook via three main channels. First, the major financial and trade sanctions on Russia will severely affect Russia's economic activity and trade over the projection horizon. The exclusion of some Russian banks from SWIFT translates into more extensive disruptions, also affecting global trade, by severely impairing trade financing for Russian firms. Second, the conflict has put significant upward pressure on commodity prices, as Russia plays an important role in the EU's energy markets, and Ukraine is a top exporter of food commodities, mainly cereals, to the EU. Commodity prices had already been significantly affected during 2021 and the invasion of Ukraine has driven them even higher. Lastly, the Russia-Ukraine war is undermining global confidence, inducing negative effects on both the financial and the real economy sides. The resulting deterioration in financial conditions, together with the sustained geopolitical tensions and uncertainty, is in turn expected to affect investment.

For the time being, our forecasts for the growth of external demand, which reached a rate of 9.9% in 2021, indicate a sharp moderation, moving in a range of 2%-4% in 2022. The experts also forecast a moderate 3.2% rate of growth for 2023. Euro area foreign demand is more heavily affected by the conflict, given the relatively large share of euro area trade which stems from Russia and countries in central and eastern Europe that are particularly exposed to the headwinds from the conflict.

United States

Economic activity in the United States is expected to have slowed in the early part of the year as a result of reduced government support and continuing restrictions aimed at controlling the spread of the Omicron variant. The U.S. economy economy expanded vigorously in the fourth quarter of 2021, driven mainly by strong restocking. Growth is projected to have slowed at the beginning of the year owing to lower private consumption induced by the reduction in government transfers. Although we expected economic activity to pick up after that, the rebound is likely to be gradual, as we consider that the Russia-Ukraine war will weigh on activity, especially in the second quarter.

Consumer price inflation, both headline and core, continued to surprise to the upside in recent months, prompting the Federal Reserve to start unwinding its monetary policy stimulus and effectively raise rates as early as March 2022. At the same time, the total number of anticipated rate hikes for 2022 was increased to seven in the recently released March 2022 Federal Open Market Committee projections, including an overshooting of the long-run neutral rate in 2023-24. The increase in inflation is expected to keep private consumption moderate, while tighter labour market conditions and declining political support will continue to weigh on the economy. This is especially the case in the United States, where monetary policy support is expected to be visibly withdrawn as early as May.

Over the forecast horizon, U.S. growth is expected to moderate on the back of lower fiscal stimulus and monetary policy tightening. Headline inflation is expected to rise above 7% in the first quarter of 2022 and decline thereafter, but to remain above the Fed's 2% target, consistent with a positive output gap.

Eurozone

GDP: For much of the first quarter of 2022, we thought that growth was likely to recover over the course of 2022, as some of the headwinds associated with certain supply constraints began to fade. The expected improvement was based on the assumption that financial conditions would remain favourable, with inflation peaking in the early stages of the year, accompanied by an improvement in the labour market. However, the outbreak of **war in Ukraine** and the ensuing shock to the entire commodity complex has curtailed corporate spending plans in the short term, mainly because of the impact on energy costs and confidence, fuelling expectations of weaker growth already in the second quarter. This assessment is broadly reflected in the baseline scenario of the March 2022 ECB staff macroeconomic projections for the euro area. Real GDP is projected to grow by 3.7% per year in 2022 (well below the 5.3% seen in 2021). According to these experts, this moderation will extend to 2023, when euro area GDP growth is projected to be no more than 2.8%. The projected growth for 2024 is even lower, at 1.6%. These estimates reflect a downward revision by 0.5 percentage points for 2022 and 0.1 percentage points for 2023.

The downward revisions for 2022 could continue, ending well below the estimated 3.7%, to reflect the potential impact of the Ukrainian crisis on energy prices and thus on confidence and trade. The risks to the economic outlook have increased substantially since the conflict began. Indeed, we now fear that the war in Ukraine could have a stronger than anticipated effect on economic sentiment and could worsen supply-side constraints again.

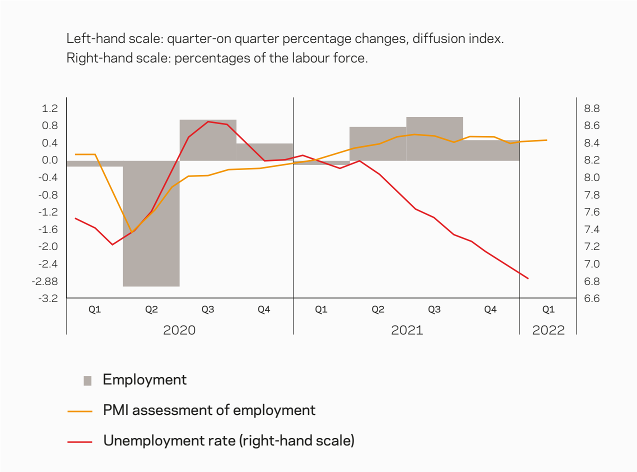
Fortunately, the euro area economy is now in better shape to face these new tensions, as it registered a sustained recovery in 2021, with growth reaching its pre-crisis level, despite headwinds related to the pandemic, supply disruptions and high energy prices. The war between Russia and Ukraine now seems almost certain to have a material impact on activity and growth, which could be severely dampened by steeper rises in energy and commodity prices, as well as more severe drags on trade and sentiment.

The euro area **labour market** strengthened further in the last part of 2021, with employment growing by 0.5% q/q in 4Q21, rising above its pre-pandemic level. Strengthening labour demand was also reflected in a further increase in the aggregate job vacancy rate, which rose to a new series high of 2.7% in 4Q21. Moreover, this rise was broad-based across sectors. The labour force participation rate returned to close to its pre-pandemic level in the third and fourth quarters of 2021. After averaging 7.1% in 4Q21, the unemployment rate declined further to stand at 6.8% in January 2022. Continuing support for job retention schemes contributed substantially to this achievement.

Survey data point to continued robust employment growth in the early months of 2022. The monthly composite Purchasing

Managers Index (PMI) employment indicator, which encompasses both industry and services, stood at 54.5 in February, broadly unchanged from January and well above the threshold of 50 that indicates growth in employment.

Euro area employment, the PMI assessment of employment and the unemployment rate



Sources: Eurostat, Mrkit and ECB calculations..

Inflation: According to the flash estimate, inflation reached 7.5% year-on-year in March, sharply up from 5.8% in February and 5.1% in January. In our view, inflation is very likely to remain high for the next few months. Energy prices continue to be the main reason for the high inflation rate, as they were directly responsible for more than half of all headline inflation in February and are also driving up prices in many other sectors. Food prices, too, have risen as a result of transport costs and increases in the price of fertilizers. Looking to the future, pressure on the prices of some foods and commodities is likely to increase as a result of the war in Ukraine. We are also concerned that the price rises have become more widespread, with marked increases in the prices of a large number of goods and services. Most of the underlying inflation measures have also increased in recent months and it is unclear how persistent this increase in prices will be, given the spillover effects of higher energy prices.

Market-based indicators point to a moderation in the dynamics of energy prices over the course of 2022, while price pressures from global supply chain bottlenecks should also ease. However, the war in Ukraine is a substantial upside risk to the inflation outlook, especially for energy prices.

ECB & monetary policy normalisation: "optionality, gradualism and flexibility".

At the March 2022 meeting of the Governing Council of the ECB, members weighed up the inflationary forces and, in conclusion, said they were "increasingly confident that the inflationary dynamics (low prices) of the last decade are unlikely to return". They therefore decided that it was appropriate to continue dialling back net asset purchases, which were intended to combat an environment where disinflationary risks dominate. They also agreed on a policy framework tailored to the current environment of heightened uncertainty and, to that end, decided that ECB monetary policy should be governed by three principles: optionality, gradualism and flexibility.

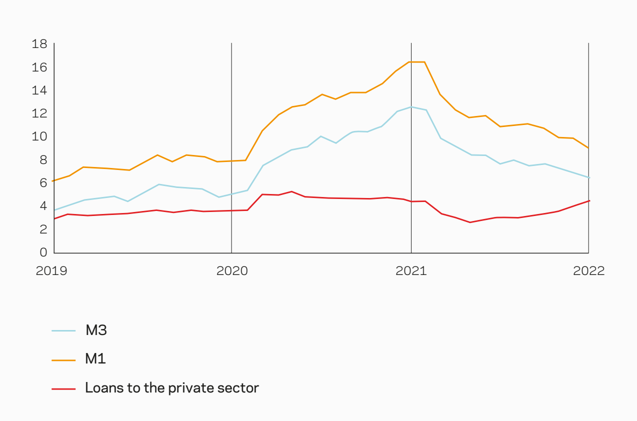
Optionality is not to be confused with ambiguity. It is about making clear how the ECB will react to a range of scenarios and ensuring that it is poised to react effectively if they materialise, in whatever direction. The ECB has given itself full scope to adjust policy (in any direction) in a timely fashion should it see risks of excess inflation extending into the medium term. It goes so far as to say that it "stands ready to adjust the size and/or duration of its purchases", but keeps open the option of taking any necessary measures should the economic consequences of the war escalate and stifle the current recovery path. In summary, optionality means that the path of ECB monetary policy over the coming months will be data-dependent.

Gradualism is a well-established principle for central banks in times of uncertainty. It suggests that any decision will take the resilience of the economy into account and will always be taken with care. In keeping with this principle, the ECB aims to adjust its forward guidance on interest rates to temper expectations of any abrupt or automatic moves. For the time being, the ECB says that the adjustment of key ECB interest rates will take place "some time after" the end of net purchases. This maintains the ECB's traditional sequencing logic but also gives it extra space, if needed, after it stops purchasing bonds and before it takes the next step towards normalisation. According to the ECB, this will allow it to test whether the convergence of inflation to its projected target is robust.

Flexibility is a special principle for conducting monetary policy in a monetary union, focused on ensuring that policy is transmitted evenly to all parts of the euro area. With diverging initial conditions, exogenous shocks can affect economies asymmetrically. If this leads to financial fragmentation, the transmission of monetary policy can be interrupted. To reduce this risk, the ECB's Governing Council has reiterated its commitment to flexibility, which means that it is ready to use a wide range of instruments to address fragmentation, including the reinvestment of its portfolio held under the pandemic emergency purchase programme, and may, if necessary, design new instruments to secure monetary policy transmission moving forward along the path of policy normalisation.

Meanwhile, money creation in the euro area continued to normalise in January 2022, despite heightened geopolitical risks. Eurosystem asset purchases remained the dominant driver of money creation. Growth in loans to the private sector increased, owing to favourable financing conditions and the improving economic situation. Bank lending rates remained close to their historical lows in January 2022. In the fourth quarter of 2021, the total volume of external financing for firms increased further, primarily owing to the significant increase in bank loans. The overall cost of firms' external financing increased from October 2021 to January 2022 – reaching the peak levels last seen in March 2020 – driven by the increase in market debt financing costs. Recent market fluctuations, triggered by Russia's invasion of Ukraine, have contributed to a further increase in the cost of debt, which has been accompanied by a pronounced stock market decline.

M3, M1 and loans to the private sector
(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

Notes: Loans are adjusted for loan sales, securitisation and national cash pooling. The latest observations are for January 2022.

United Kingdom

In the United Kingdom, the outlook is expected to remain rather subdued, amid strong price pressures and persistent supply bottlenecks, especially after the new sanctions on Russia, which affect key products for Europe's economies. The pace of economic recovery remained weak in the last quarter of 2021, mainly because of the rapid spread of the Omicron variant in December, which added to the stress from supply bottlenecks and labour shortages in some sectors. While the drag from the Omicron variant appears short-lived, the most pressing issue for the United Kingdom is the fallout from the Russia-Ukraine war, which weighs on growth in the near term, as it does for other countries. Further out, it remains to be seen whether other, more structural impediments, partly related to Brexit, will continue weighing on UK activity over the projection horizon.

Consumer price inflation surprised to the upside in the early stages of 2022 as a result of high food prices and rising service costs. Headline inflation is projected to peak at around 7%-9% in the second quarter of 2022 (with further rate hikes by the Bank of England expected) and to moderate thereafter.

China

In China, economic activity remained subdued at the beginning of the year, buffeted by persistent headwinds. Real GDP growth declined in the second half of 2021 in annual terms, reflecting the turmoil in the residential property sector and new outbreaks of COVID-19. These headwinds continued to weigh on investment and consumption at the turn of the year, such that GDP and trade growth have been seen to decelerate in the first quarter of 2022.

In the second quarter, the effect from the Russia-Ukraine war is expected to slightly limit the strength of the anticipated rebound. Headline consumer price inflation decreased from 1.5% in December to 0.9% in January (year on year), largely due to food price deflation as pork prices normalised and food supply recovered from disruptions caused by bad weather.

Core CPI, excluding food and energy, remained unchanged at 1.2% (year on year). Higher commodity prices have resulted in upward revisions to forecast inflation in early 2022 but are not expected to materially change the inflation outlook for 2022-24.

China's fiscal and monetary policy is becoming more accommodative to counterbalance the headwinds to economic growth.

Japan.

In Japan, a firmer recovery is expected in the second half of 2022 after a temporary slowdown in growth in 2021, due to certain economic and social restrictions implemented to combat the pandemic. The economic recovery resumed at the end of 2021, after containment measures were lifted in late summer and some supply constraints started to ease. It could be said that Japan is still waiting for the big rebound seen in other Western countries that lifted restrictions earlier. In this particular case, the expected recovery will be supported by recent announcements of additional fiscal policy stimulus.

The fallout from the Russia-Ukraine war is assessed to be rather limited at this early stage of the year and is expected to occur mainly in the short term. Economic growth is then expected to moderate and gradually return to trend.

Annual CPI inflation in Japan is projected to pick up, partly reflecting the waning of some temporary factors (including lower mobile phone charges). We nevertheless expect inflation to remain anchored near the central bank's target over the projection horizon.

Emerging economies of EMEA and Asia.

In the **central and eastern EU Member States**, headwinds, especially related to the war in Ukraine, are expected to slow the pace of economic expansion. Activity in central and eastern Europe continued to expand at a robust pace in the second half of 2021 thanks to strong household consumption. In the future, real GDP growth is forecast to moderate amid the economic fallout from the war in Ukraine, persistent supply bottlenecks and renewed price pressures. Despite all this, economic activity is expected to remain resilient in the medium term, driven by a recovery in domestic demand. Developments in energy markets and the latest data point to continued inflationary pressures in 2022 and 2023, while a normalisation towards more moderate rates is projected at the end of the forecast horizon.

In **Russia**, the economy is expected to enter recession in 2022 as a result of the sanctions imposed by Western countries. Growth momentum was strong towards the end of 2021, but the severe sanctions and negative sentiment are expected to significantly reduce both internal and external financing, curtail consumption and investment and disrupt Russia's international trade. Significant depreciation of the rouble led the central bank to raise its policy rate, from 9.5% to 20%, and impose capital controls to stabilise markets. Looking ahead, the lack of access to important inputs from abroad and the impact of the sanctions on import prices are likely to keep domestic inflation at worryingly high levels. The domestic outlook remains clouded by significant geopolitical risks. And the future of Russia's debt assets is in question.

According to the IMF, **India**, which recorded growth of 9% in 2021, is likely to continue to lead global growth rankings for the next two years. The future looks bright, but we see clouds in the longer term. As the government withdrew monetary support (pressured by global inflation), it decided to increase public investment. This will, of course, have undesirable effects in the long term, as was apparent already in January, when the budget announcements unsettled bond markets, pushing bond yields higher (to levels not seen since July 2019). This fiscal strategy can be understood from the perspective that it makes sense to prioritise growth, since too much fiscal consolidation at this early stage of the recovery would be counterproductive. But is this growth strategy sustainable? We don't think so, although it will boost investor appetite in the short term. The projected deficit for this year is once again dangerously high (6.4% of GDP) and is especially striking because it follows a year (last year) marked by a deficit of 6.9% (largely due to pandemic-related expenditure). Looking ahead, the government does not envisage any significant reduction in the deficit until at least 2025, when it plans to reduce it to 4.5% (still very high). Clearly, the days when the country would set a legally binding deficit ceiling of 3% are gone. Perhaps the only bright spot on the fiscal front, in relation to the current growth model, is that the government wants to shift the structure of spending away from payments for transfers and subsidies towards productive investment, especially in transport infrastructure. This is demonstrated by the fact that of the total increase in general government expenditure, 85% goes to capital expenditure (investment in infrastructure such as motorways, trains, cargo terminals and affordable housing). In the meantime, spending on subsidies is being reduced. This will naturally give a strong impetus to the economy, and probably also the stock market, in the short and medium term.

Latin America.

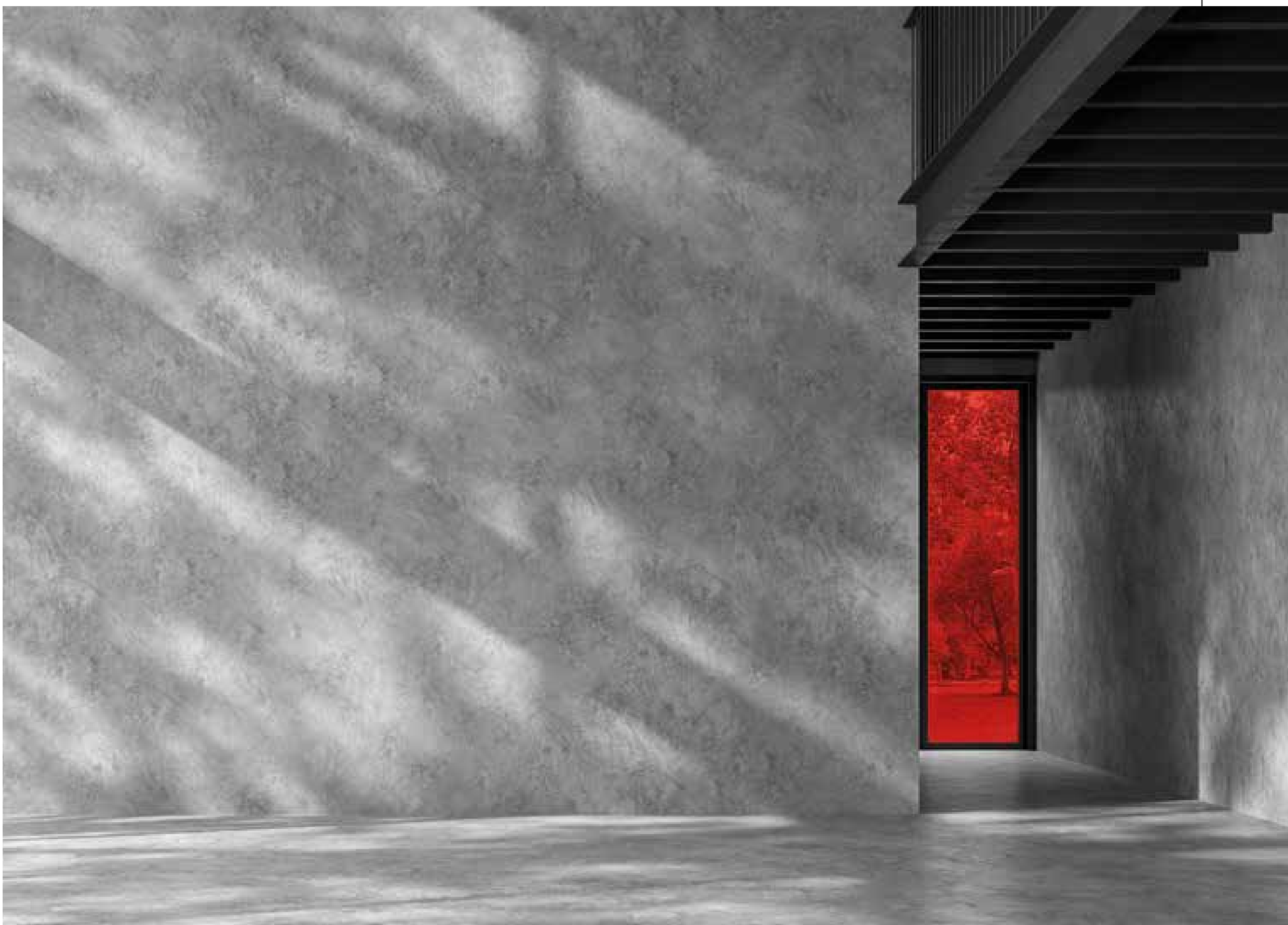
In **Brazil,** the fast tightening of monetary policy and the less benign external environment are expected to weigh on growth in 2022. Economic growth resumed in the last quarter of 2021, assisted by net exports, which became less of a drag. Exports could continue to help the economy in 2022, so long as the prices of exported goods remain high and this leads to an improvement in the terms of trade.

For the time being, the recovery in domestic demand remained subdued, owing to high inflation, rising interest rates, worsening market sentiment and persistent supply-side bottlenecks. These factors are expected to continue to weigh on growth to some extent in 2022. Looking beyond 2022, we expect growth rates to recover, as market sentiment improves and certain political doubts are dispelled. However, limited fiscal space and insufficient progress on structural reforms will continue to constrain long-term growth prospects. Given the recent rise in commodity prices, we do not expect consumer price inflation to return to target until at least 2023. The monetary environment will thus remain unfriendly for Brazilian assets.

In **Mexico**, the central bank said that the impact of the pandemic on inflation has been deeper and more lasting than expected and that it could not rule out further price pressures caused by Russia's invasion of Ukraine. Banxico Governor Victoria Rodríguez warned that it was too early to say how the crisis between Russia and Ukraine would affect prices and inflation but said the conflict would be one of many factors to be taken into account in monetary policy decisions.

The central bank expects inflationary pressures to decrease over the course of 2022 and annual headline inflation to average 4% in the fourth quarter of 2022, falling to close to the bank's 3% target by the second quarter of 2023. Victoria Rodríguez further predicted that GDP would grow between 1.6% and 3.2% this year. She also noted that the decisions of the US Federal Reserve are one of the "relevant variables" Banxico takes into account in its own monetary policy decisions.

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 bank'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, in addition to local requirements, consistent control standards are met across the Group.

The Internal Audit Department acts as a third line of defence to detect any non-compliance or unauthorised risk taking, proposing corrective measures for any such risks that have 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.

The main elements that ensure effective risk control are:

- 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 bank 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.

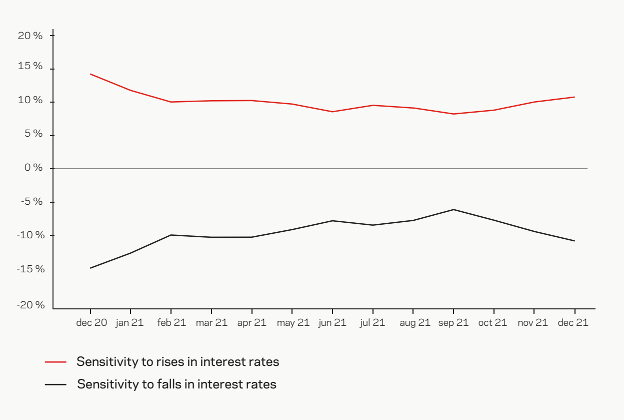
Responsibility for ensuring that the asset management activity is carried out in accordance with the established legal and regulatory framework and for evaluating the activity's results and risks is assigned to the Management Monitoring Committee, which meets monthly. This committee delegates the monitoring 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.

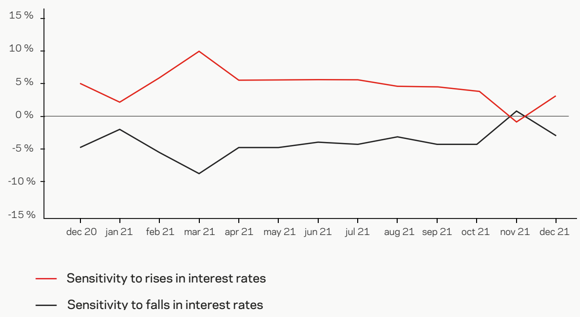
In the negative interest rate environment that has prevailed in recent years for the euro, the Group has maintained positive exposure to upward shifts in the yield curve. In other words, if interest rates were to increase, the Group's net interest income would increase, and vice versa. The repricing 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 (although 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 2021, 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	2021	2020
USD	4,780	1,912
GBP	(1,130)	(50)
CHF	(230)	(150)
JPY	460	-

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 2021, the average VaR for the trading portfolio was 136 thousand euros, with a high of 324 thousand euros and a low of 70 thousand euros, while the average total position in the trading portfolio was 199 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
At 31 December 2021	VaR at 31/12/2021	Average VaR for the period	Maximum VaR for the period	Minimum VaR for the period
Interest rate risk	139	126	323	70
Spread risk	24	37	19	20
Equity risk	-	-	-	-
Diversification effect	(15)	(27)	(18)	(20)
Total	**149**	**136**	**324**	**70**

(*) 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:

Month	HTC&S + HTC				Trading			
	Greek debt crisis	Russian debt crisis	Lehman Brothers	Twin Towers	Greek debt crisis	Russian debt crisis	Lehman Brothers	Twin Towers
January	-1.20%	-1.32%	-1.40%	-0.98%	-0.01%	-0.01%	-0.02%	-0.01%
February	-1.36%	-1.51%	-1.03%	-1.02%	-0.09%	-0.01%	-0.10%	0.01%
March	-1.37%	-1.78%	-2.32%	-1.03%	-0.08%	-0.11%	-0.02%	-0.06%
April	-1.57%	-1.98%	-2.43%	-1.18%	-0.09%	-0.13%	-0.03%	-0.06%
May	-1.58%	-1.97%	-2.34%	-1.17%	-0.06%	-0.10%	-0.02%	-0.05%
June	-1.63%	-2.04%	-2.29%	-1.21%	-0.03%	-0.06%	-0.02%	-0.02%
July	-1.69%	-2.10%	-2.18%	-1.25%	-0.24%	-0.32%	-0.03%	-0.22%
August	-1.79%	-2.15%	-1.84%	-1.31%	-0.10%	-0.15%	0.09%	-0.10%
September	-1.67%	-2.02%	-1.86%	-1.23%	-0.11%	-0.28%	-0.04%	-0.14%
October	-1.77%	-2.12%	-2.05%	-1.32%	0.02%	0.00%	0.25%	-0.01%
November	-2.05%	-2.44%	-2.12%	-1.46%	-0.12%	-0.19%	0.16%	-0.15%
December	-2.03%	-2.38%	-2.16%	-1.39%	-0.14%	-0.31%	0.02%	-0.21%

Credit risk

Credit risk is the risk of loss arising as a result of failure by a counterparty to perform 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 more swiftly include any change in a counterparty's credit quality in its model.

In a number of 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 when a risk exposure arises that needs to be mitigated.

During 2021, the Group's fixed-income portfolio was invested in high quality assets, with 32.4% invested in sovereign and public sector securities. As regards concentration, the portfolio is diversified mainly across issuers in the United States, France, Andorra, Spain and Italy, which account for 78% of the total.

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
	31/12/2021	**31/12/2020**
AAA	43,774	52,060
From AA+ to AA-	43,848	100,350
From A+ to A-	496,235	426,828
BBB+	254,888	196,477
From BBB+ to BBB-	154,776	135,421
Total	**993,521**	**911,137**

As regards credit risk exposure in transactions with customers, the Group has gross loans and receivables totalling 2,508 million euros, mainly in credit facilities and loans, a large proportion of which are secured by mortgage (1,148 million euros) or with a pledge of collateral (1,203 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 1.98%, below the average for the financial institutions of neighbouring countries. During 2021, the Group maintained a conservative provisioning policy, with the result that total loan loss provisions are equal to 80% of 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. This 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 agreed 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 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, likewise, any recoveries of previously recognised losses are 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 2021 and 2020 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.

Maximum credit risk exposure	31/12/2021	31/12/2020
		Thousands of euros
Financial assets held for trading	221,918	189,958
Derivatives	119,575	108,897
Equity instruments	778	2,034
Debt securities	101,565	79,027
Loans and advances	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	9,275	8,990
Equity instruments	9,275	8,990
Debt securities	-	-
Loans and advances	-	-
Financial assets designated at fair value through profit or loss	13,333	13,619
Equity instruments	-	-
Debt securities	13,333	13,619
Loans and advances	-	-
Financial assets at fair value through other comprehensive income	330,717	318,276
Equity instruments	8,750	13,880
Debt securities	321,967	304,396
Financial assets at amortised cost.	3,512,148	2,834,770
Debt securities	556,656	514,095
Loans and advances	2,955,492	2,320,675
Derivatives – hedge accounting	2,955	4,089
Total credit risk from financial assets	**4,090,346**	**3,369,702**
Loan commitments given	510,170	357,725
Financial guarantees given	93,955	71,327
Other commitments and guarantees given	10,102	16,648
Total commitments and guarantees given	**614,227**	**445,700**
Total maximum credit risk exposure	**4,704,573**	**3,815,402**

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.

Thousands of euros

31 December 2021	Up to one month	From one month to three months	From three months to one year	From one to five years	From one to five years	Not sensitive	Total balance
Cash, balances with other central banks and other demand deposits	1,079,398	-	-	-	-	-	1,079,398
Financial assets	55,838	155,349	71,075	387,862	316,429	25,771	1,012,324
Loans and receivables	538,492	479,560	1,549,458	129,819	294,452	(36,289)	2,955,492
Loans and credits to entities	208,778	50,000	23,059	48,341	154,480	868	485,526
Credits to customers	329,714	429,560	1,526,399	81,478	139,972	(37,157)	2,469,966
Derivatives	-	-	-	-	-	119,575	119,575
Hedging derivatives	-	-	-	-	-	2,955	2,955
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	3,138	3,138
Other assets	-	-	-	-	-	571,855	571,855
Total assets	**1,673,728**	**634,909**	**1,620,533**	**517,681**	**610,881**	**687,005**	**5,744,737**
Financial liabilities held for trading	-	-	-	-	-	57,847	57,847
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	1,337,438	136,674	253,957	2,023,828	335,837	877,754	4,965,488
Deposits in central banks	16,582	-	-	164,250	-	-	180,832
Deposits in banks	60,149	50,122	33,706	48,341	249,014	2,689	444,021
Customer deposits	1,075,328	61,493	164,687	1,767,261	53,500	730,774	3,853,043
Demand	*1,019,871*	*50,883*	*129,610*	*1,719,517*	-	*729,388*	*3,649,269*
Term	*55,457*	*10,610*	*35,077*	*47,744*	*53,500*	-	*202,388*
Unpaid interest incurred	-	-	-	-	-	*1,386*	*1,386*
Other financial liabilities	-	-	-	-	-	-	-
Debt securities	185,378	25,060	55,563	43,977	33,322	545	343,845
Other financial liabilities	-	-	-	-	-	143,747	143,747
Hedging derivatives	-	-	-	-	-	4,757	4,757
Liabilities under insurance contracts	-	-	-	-	-	5,108	5,108
Other liabilities	-	-	-	-	-	124,809	124,809
Total liabilities	**1,337,438**	**136,674**	**253,957**	**2,023,828**	**335,837**	**1,070,275**	**5,158,009**
Equity	-	-	-	-	34,700	552,028	586,728
Total Liabilities + Equity	**1,337,438**	**136,674**	**253,957**	**2,023,828**	**370,537**	**1,622,303**	**5,744,737**
Assets	1,673,727	634,910	1,620,532	517,681	610,880	687,007	5,744,737
Liabilities	1,337,438	136,674	253,957	2,023,828	370,536	1,622,303	5,744,737
IRS - Derivatives	**38,000**	**2,790**	**25,423**	**(23,000)**	**(45,653)**	**-**	**(2,440)**
SIMPLE GAP	**374,289**	**501,025**	**1,391,999**	**(1,529,147)**	**194,690**	**(935,296)**	**(2,440)**
ACCUMULATED GAP	**374,289**	**875,314**	**2,267,313**	**738,165**	**932,856**	**(2,440)**	**-**

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 2021, the minimum stood at 150 million euros overnight, 300 million euros at 48 hours 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 throughout 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 2021 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 2021 the Group's NSFR is 131%, 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 activities by customers or 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 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 Operational Risk Department to implement the management model.

The Operational Risk Department is responsible for defining, standardising and implementing the operational risk management, measurement and control model. It also provides support to the areas and departments and consolidates operational risk data for the entire scope of consolidation for reporting to Senior Management and the risk management committees/commissions involved.

The bank's operational risk management framework is based on the three lines of defence model, with the areas and departments responsible for the first line of defence, 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, 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:

- The annual risk and control self-assessment (RCSA), with its risk map, which consists of an assessment of risk management activities aimed at identifying any processes or tasks that could generate operational risk in 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.

- An events database, which captures and records all operational risk events in all 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.

- Key risk indicators (KRIs), which can be analysed and monitored to assess the degree of operational control and so manage risk proactively.

- The action plans defined to mitigate the risk of any high or critical residual risk events.

The bank calculates the capital requirements for operational risk using the basic indicator method, in which capital requirements are determined as 15% of the average of the relevant indicator for the last three financial years, in accordance with article 202 of the Regulation implementing Law 35/2018. At 31 December 2021, the capital requirement for operational risk, calculated using the basic indicator method, amounts to 30,046 thousand euros, with an operational risk exposure of 375,572 thousand euros (RWA).

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 strict 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 Group's commitment to its customers has two main dimensions: long-term value creation and maximum 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 Group's aim is to ensure:

- Financial services that match 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 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 2021, Andbank's ratios were well above these minimum levels. In this regulatory environment, Andbank's capital ratios at 31 December 2021 are as follows:

	Complete	Progressive
CET1 ratio	14.16%	14.88%
Tier 1 ratio	16.50%	17.17%
Total capital ratio	16.50%	17.17%

Leverage ratio

In this regulatory framework, the Andbank Group is in a strong position, with a progressive leverage ratio of 6.41% at year-end 2021.

06 / Social Responsibility Report 2021

Corporate social responsibility report 2021

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 2021 at the economic, social and environmental level.

2. The Andbank Group

Combating COVID-19

On 13 March 2020, the Government of Andorra ordered the closure of all but essential activities. After two years living with COVID-19, all countries have continued to apply more or less restrictive public health measures.

During 2021, the WHO validated the use of several vaccines. The first mass vaccination programme began in December 2020 and continued throughout 2021. So far, more than 11 billion vaccine doses have been administered worldwide.

In all the Group's jurisdictions, steps were taken to quickly and effectively adapt to the restrictions and lockdowns put in place in each country, and teleworking solutions were adopted during periods of tighter restrictions to allow the company to maintain its everyday activities.

The Group continued to pursue its financial, economic and social activities, investing resources and substantial effort in ensuring that everyday business activities and customer service proceeded entirely as normal.

For Andbank, the health of its people (employees, customers, suppliers, etc.) is primordial. Accordingly, all official recommendations concerning the COVID-19 pandemic were followed during 2021. Both in Andorra and in the Andbank Group's other subsidiaries, all necessary steps were taken to protect the health of our employees. Working from home was adopted throughout the Group as a means of responding swiftly to pandemic conditions.

During the year, online talks continued to be held to present the company's view of the market situation in relation to the health crisis. Àlex Fusté, Andbank's Chief Economist, gave more than 20 talks, which were attended by clients and bankers to learn about the situation in world markets.

International accolades

Fitch Ratings confirmed Andbank's long-term BBB credit rating for the second year running, making Andbank the highest-rated bank in Andorra.

Fitch underscored the bank's international presence, commercial scale and satisfactory capitalisation. It also highlighted the strength of Andbank's profitability in 2020 and the fees and commissions from the private banking business, which provide a stable source of recurring income.

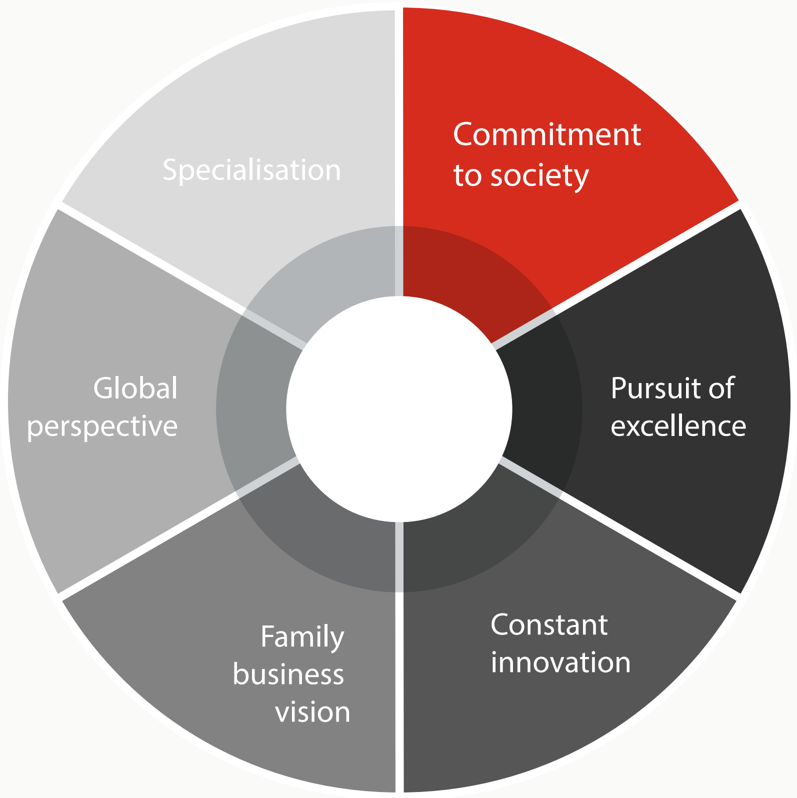
Andbank Brazil was rated by Fitch Ratings for the first time, obtaining an AAA rating with a stable long-term outlook, the highest in the agency's rating scale. Among the points noted in the report, Fitch emphasised Andbank Brazil's strategic importance for the Group's international expansion, on account of the country's growth potential. According to the agency, Andbank Brazil also benefits from being a subsidiary of a group that has a presence in several markets, with a business model specialised in wealth management and private banking.

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.



90 years' experience

In 2021 Andbank celebrated its 90th anniversary. Andbank came into being on 30 December 1930 in Sant Julià de Lòria, at a time when forming a company, particularly a bank, was an act of audacity worthy of entrepreneurs. The bank anticipated the need to create a bank that would facilitate the commercial transactions taking place at that time, when the economy was focused on agriculture and trade.

With its 90-year history, Andbank is Andorra's senior financial institution, but at the same time the most modern and the most recent in the country's financial history. The most important milestone came in 2001 with the integration of Banc Agrícol and Banca Reig (which was incorporated in 1956, at the initiative of Julià Reig Ribó). This merger, implemented in record time, made Andbank a landmark institution in Andorra and beyond. Throughout its long existence the bank has been a symbol of modernity.

Andbank began its international expansion in 2001. Today it is present in twelve strategic jurisdictions, including the world's top financial centres, and has a team of 1,100 professionals.

A number of commemorative events were scheduled to be held during the year, including a dinner with the leaders of Andorra's institutions and business community, but had to be postponed because of the public health measures.

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 screen tablets.

During the crisis caused by the pandemic, the Government of Andorra passed various measures to allow customers affected by the crisis to extend their financing agreements, as well as two extraordinary guarantee programmes for companies and businesses. Under these two programmes, customers who have received the Government of Andorra guarantee have been granted 12-month credit facilities. The banks agreed to extend the deadline for applying for these programmes to 31 March 2021.

Improvements to protect our customers

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.

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

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		
2019	2020	2021
Claims 123	Claims 149	Claims 240
Complaints 23	Complaints 72	Complaints 56
Enquiries 10	Enquiries 18	Enquiries 3

Means used		
2019	2020	2021
Letter: 7 %	Letter: 2 %	Letter: 3%
Form: 19 %	Form: 1 %	Form: 3 %
Face-to-face: 44 %	Face-to-face: 61 %	Face-to-face: 73 %
Telephone: 3 %	Telephone: 2 %	Telephone: 1 %
Email: 27 %	Email: 34 %	Email: 20 %

Average response time		
2019	2020	2021
13.5 %	10.3 %	15 %

Percent of responses in less than one week		
2019	2020	2021
43%	62%	45 %

Sustainable products

To integrate the Group's corporate social responsibility in the bank's products and services, a number of 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. The fund earned five balloons in the Morningstar Sustainability Rating, the highest rating in sustainability.

Sigma Balanced Fund

Sigma Balanced is a mixed direct investment fund that invests mainly in bonds and shares, in addition to applying ESG management criteria. The companies selected by this fund start from a quality base, with strong growth prospects and a favourable position in their market. The fund also received the five balloons sustainability rating from Morningstar and at year-end 2020 had four Morningstar stars in two fund categories.

Sigma Balanced Fund

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, all pioneering institutions in their field, namely, in the field of research, the Vall d'Hebron Institute of Oncology (VHIO), the Fero Foundation and the 12 de Octubre Hospital (through CRIS Cancer Foundation). It is also a founding donor to the SJD Pediatric Cancer Center in Barcelona, a project promoted by Sant Joan de Déu Hospital for the benefit of children with cancer and their families, setting new standards at the European level.

Andbank's commitment to cancer treatment and research

In 2021, because of the pandemic and the prevailing restrictions and public health measures, the second #tutambesumes charity gala could not be held but was postponed to the following year.

Fero grant

For the second year running, the bank supported the Advanced Molecular Diagnosis Programme (DIAMAV) of the Vall d'Hebron Institute of Oncology (VHIO) and the Fero Foundation. The programme provides new treatment options for cancer patients, even in the metastatic 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.

The bank also participated in the award of the 11th Fero – Andbank Scholarship within the framework of the traditional gala held in Madrid. The Chairman, Manel Cerqueda, presented the award to the winner, Dr. Berta Casar Martínez, head of the transformation and metastasis group at the Cantabria Biomedicine and Biotechnology Institute, for a project aimed at establishing a new predictive biomarker of response to melanoma treatment.

Once again the bank collaborated with the Shiori jewellery firm to raise funds for cancer treatment and research. On this occasion, bracelets and pendants were sold to celebrate Mother's Day. The total amount collected was 8,210 euros, which was allocated entirely to Sant Joan de Déu Hospital.

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.

Pediatric Cancer Center Barcelona

Because of the health crisis, 2021 was a difficult year for promoting and holding cultural, social and sporting events. Even so, a number of events were organised, both face-to-face and online.

Andbank was thus able to support various social, cultural and sporting initiatives with the aim of expanding and maximising the benefits for society.

Social

- Talks. Our Chief Economist, Àlex Fusté, gave a number of online talks on macroeconomic matters in all the countries in which the Group operates.
- Leo Messi Golf Tournament. Collaboration with the Leo Messi Foundation's 4th Pro Am tournament, held at the Sant Cugat Golf Club to raise money for the Sant Joan de Déu Hospital Paediatric Cancer Center.
- Andorran Family Business. Andbank collaborates each year in the Andorran Family Business Forum (EFA). This year's edition, the 19th, was postponed for public health reasons and will be held in 2022.
- In April, the 27th Ibero-American Summit of Heads of State and Government took place in Andorra under the slogan "Innovation for sustainable development – Target 2030. Ibero-America and the challenge of the coronavirus". This was considered a historic occasion because it was the first time the 22 heads of state and government had met since the start of the pandemic.

Culture

- The 44th Literary Evening, organised each year by the Cercle de les Arts i les Lletres, was held as usual, this time in the parish of Andorra la Vella. Andbank awarded the Manuel Cerqueda Escaler short fiction award to Francesc Puigpelat for L'altre guerra.
- 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 2021 once again took place in person.

Posters exhibition Festival Castell de Peralada

- In addition, a temporary exhibition of Castell de Peralada Festival posters was held, displaying the posters used to publicise the festival throughout its 35-year history. Under the title "Dialogues between music and art in Peralada", the exhibition opening ceremony was held at the Fàbrica Reig Museum in the presence of the Minister of Culture, Ms. Silvia Riva; the Spanish Ambassador, Àngel Ros; the chair of the Julià Reig Foundation, Déborah Ribas; and the representative of the Oriol Aguilà Festival, among other officials and attendees.

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.

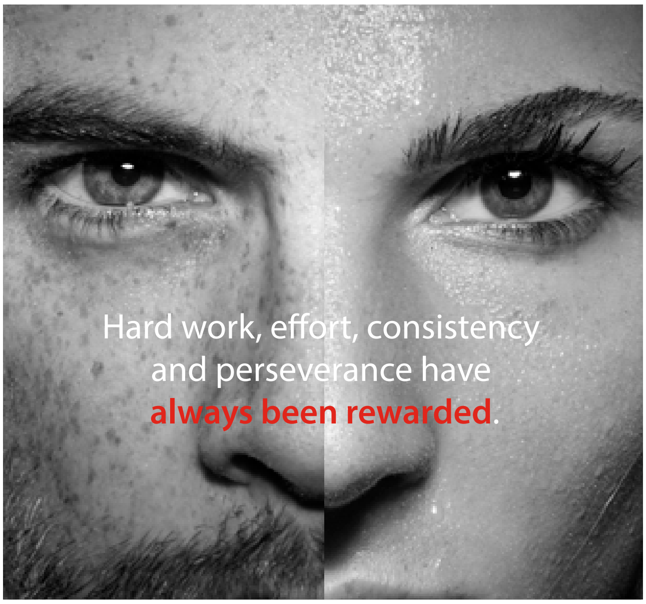
- Andorran Olympic Committee (COA). Andbank has sponsored the COA's activities for more than a decade. 2021 was the year of the Tokyo Olympic Games, postponed from 2020. Similarly, the Games of the Small States of Europe were postponed to 2025.

- 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 their events.

- Andorran Swimming Federation (FAN). Andbank continued to support the swimming federation. In 2021 they took part in the Abu Dhabi Short Pool World Championship. They also competed in the European Junior Swimming Championship in Rome.

- 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).

- Ironman. First edition, in which the Ironman brand brought its race to Andorra. Under the name Andorra Multisport Festival, Andbank sponsored three of the five events held in the country: IRONMAN 70.3 Andorra, the queen distance of triathlon under the well-known brand; Andorra MTB Classic-Pyrénées, an MTB stage race for two-member teams; and the Trail 100 Andorra-Pyrénées, a mountain race with four distances for athletes at all levels. During the two weeks of the trials, the Village was set up in Andorra la Vella's Central Park, with tents for the festival's sponsors and collaborators.



Ironman

- La Purito. The bicycle tour promoted by Joaquín "Purito" Rodríguez took place with a small group of invited athletes, since the public health measures made it impossible for it to be held with the record number of participants (nearly 2700) seen in 2019. Nevertheless, among the participants were well-known guests from the world of sport, including Joseba Beloki, Oliver Avilés, Eder Sarabia and Oscar Lanza.

La Purito

- Manuel Cerqueda Memorial Race. The Andorra Ski Club organised the 32nd edition of the traditional veterans' giant slalom.

- Andorra Women Trial Team. Collaboration with Andorra's top women's trial team

Andbank shows solidarity

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.

In 2021, the association held an exhibition of photographs on the third floor of the Business Centre. The photographs, provided by Chiqui Novis, the author of the book A veces la vida, consisted of portraits of women who have suffered from breast cancer. The purpose of the exhibition was to raise money for the Fero Foundation.

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.

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 arising from this illness.

It also joined the Gate of Football Foundation, a Spanish foundation set up by soccer veterans Keko Martínez and Juan Pobedano. The foundation's purpose is to offer the same opportunities to minors at risk of social exclusion, which it aims to achieve through the practice of football.

At the same time, the bank sponsored the young Spanish golf promise David Salgado for the 2021/2022 season, in which he will compete in the European circuit Alps Tour.

It also sponsored the sports grants launched 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.

In Panama, Andbank supported the 4th Omar Alfanno Foundation golf tournament, a charity tournament to raise funds for the Foundation's projects to give young, musically gifted people without resources the chance to study. In addition, it sponsored a running event organised by the Santa María residential complex as part of a road safety and cultural campaign on the first 'Santa Maria Community Day'.

Andbank and the environment

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.

Total paper consumed	2020	2021
Total consumption A4	9,750 kg	10,330 kg
Total consumption A3	290 kg	350 kg
Total consumption envelopes	650 kg	670 kg

The figures for waste generated, recycled and donated are as follows:

Waste generated	2020	2021
Recyclable materials separated (t/kg)	200 kg	220 kg
Waste taken to landfill	450 kg	480 kg

Waste recycled		
Paper	21,200 kg	22,600 kg
Batteries	45 kg	55 kg
Plastic caps	98 kg	105 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.

In 2021, although teleworking has continued, the fact that many employees have now returned to the workplace is evident.

Energy	2020	2021
Total electricity consu-med	3,405,035 kWh	3,250,007 kWh
Electricity consumed/ employee	10,057 kWh	10,252 kWh
Total diesel oil consumed	239.869 kWh	253,902 kWh
Diesel oil consumed/ employee	708 m^3	801 m^3

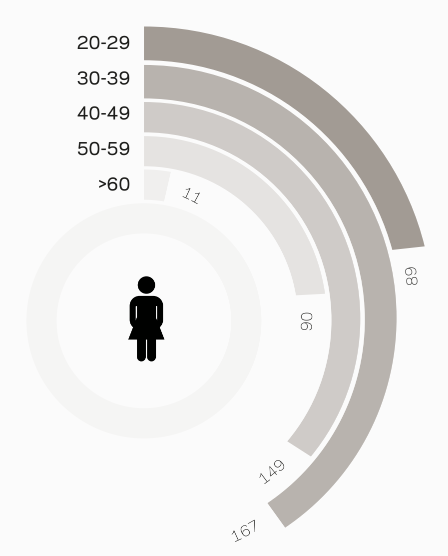
Water	2020	2021
Total water consumed	4,646 m^3	5,611 m^3
Water consumed/ employee	13.7 m^3	17.7 m^3

07 / Andbank Team

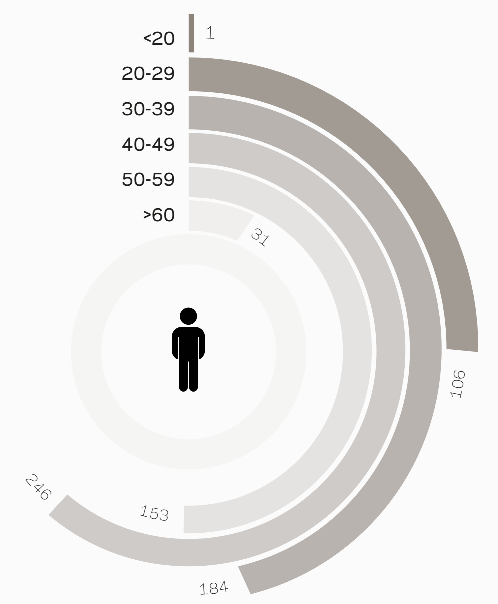
The Andbank Team

The team's average age is approximately 42, with the 40-49 age group accounting for 32% of the Group's total workforce, followed by the 30-39 age group, which accounts for 29%.

Women



Men



The Andbank Group ended the year with a total workforce of 1,227 employees, 12.5% more than in 2020.

Of that total, 313 work in the corporate headquarters in Andorra and 914 in the Group's international subsidiaries.

Gender, age and length of service

The workforce comprises 506 women and 721 men, with an average length of service of more than seven years. Compared to 2020, the number of women in the workforce increased by 9.5% in 2021 and the number of men by 14.6%.

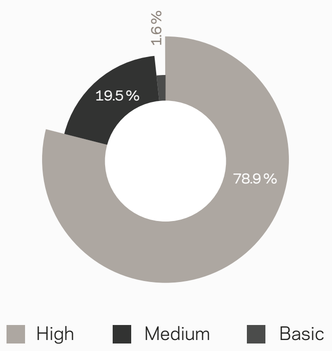
	Women		Men		Total	
	2020	2021	2020	2021	2020	2021
Number	462	506	629	721	1.091	1.227
Average age	40.12	40.57	42.87	42.65	41.71	41.79
Average length of ser-vice	7.36	7.72	7.40	7.23	7.38	7.43

Characteristics of the Andbank team

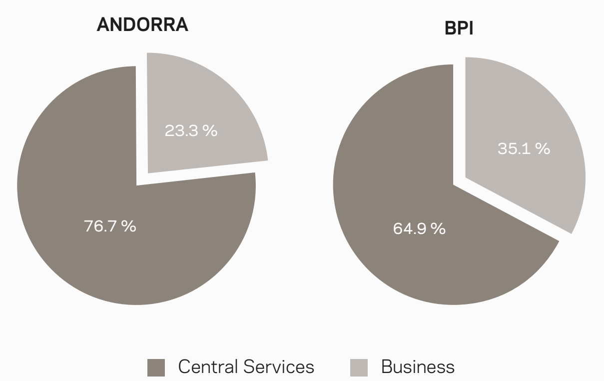
The Group's workforce currently includes 33 different nationalities, which means that diversity is a feature of the Andbank team.

Though relatively young, with an average age of 40-42, our team is highly qualified, professional and dynamic. Almost 79% 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. That is why we put such emphasis on developing the best human resources, so as to build commitment between our professionals 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 variety 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 2021, 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 nine people enrolled in the EIP course and six people enrolled in the EFA course.

Total no. of training hours with IEF: 350 hours per student

Total no. of training hours with RWB: 30 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.

A total of eight people enrolled in the AMLCA course, all of whom obtained the certificate.

Total no. of hours of AMLCA training: 100 hours per student

Continuing education and training

Per facilitar l'accés a la formació contínua i a la seva gestió, a Andbank disposem de dues plataformes de formació virtual, el Campus Andbank i GoodHabitz.

Andbank Campus

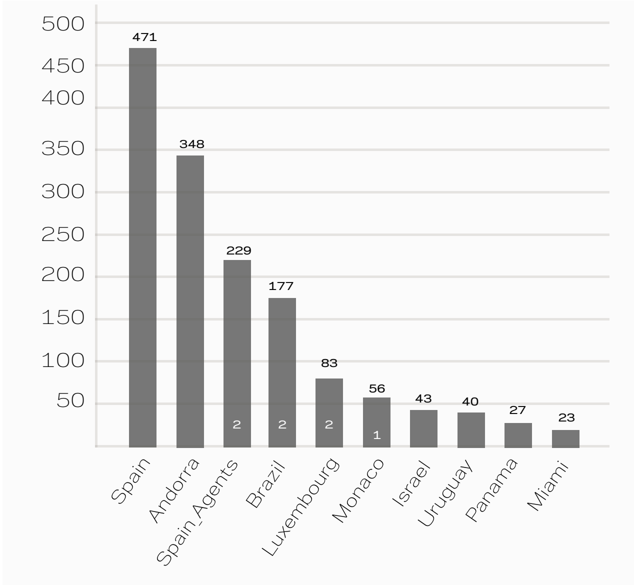
Through the Campus, we aim to give every person who works at Andbank the opportunity to develop his or her potential. During 2021, a total of 14 training courses in the areas of Compliance and Business were provided, nine of which were aimed specifically at employees in Spain, where training is also provided to the network of agents.

The main features of the Campus are:

Virtual campus available in two languages: Spanish and English.

- Teaching materials translated into several languages: Catalan, Spanish, Portuguese and English
- Mandatory and voluntary courses for different employee groups in different subsidiaries.

Number of attendees per subsidiary



Campus courses

Subsidiary	Courses	Hours	Employees en-rolled
Spain (employees/ agents)	Data protection	1	600
	Inveready	1	265
	Market abuse	1	637
	Think Bigger Fund I	1	133
	Confidentiality commitment	1	431
	Continuing training for staff who provide information and advice (MiFID II)	30	173
Andorra	Code of Conduct	1	300
	AML Andorra	1	312
	Corporate defence	1	330
Andbank Group	Cybersecurity	1	177
	Cybersecurity	1	1050

GoodHabitz

As in 2020, Andbank used the GoodHabitz online training platform to motivate employees to be better and happier in their jobs through a disruptive virtual learning method.

The main features of GoodHabitz are:

- **Engaging motivational 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:** almost all the languages spoken in Andbank are covered.
- **Personal coach:** helps people get the best out of the platform, advising on 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.

In 2021 there were 631 active GoodHabitz profiles and 162 pending invitations. That is, some 80% of employees use the training platform. A total of 701 units were visited, which is just over one unit per person.

The most popular GoodHabitz courses are:

- **Optimism for beginners:** discover the power of optimism.
- **Dare with Excel:** discover Excel and the advantages of using it.
- **Sleep well:** learn to boost creativity and energy by managing sleep.

The most popular category is **health and well-being**, with 19%, followed by **communication and languages** (18%) and **digital skills** (16%).

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 system is designed with the particularities of the Business Area and of central services in mind, adapting competences and profiles to the different circumstances and needs, so as to develop employees' technical and managerial potential and performance, linking them to a development and improvement plan.

The main features of Andbank Performer are:

- It is supported by a technology platform that allows global, streamlined, user-friendly management.
- It distinguishes between eight skills profiles in the following categories: managers, private bankers and technical staff.
- It contains definitions of 29 competences, with four performance levels.

In pursuit of the Group's commitment and with the aim of improving behaviour so as to guide organisational performance, a range of specific initiatives were introduced, including training for managers on how to give feedback and training for all employees on how to ask for feedback.

In the first half of 2022, Andbank Performer 2021 will be launched in the parent company and the Group's main subsidiaries, so that almost 80% of the workforce will be involved 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.

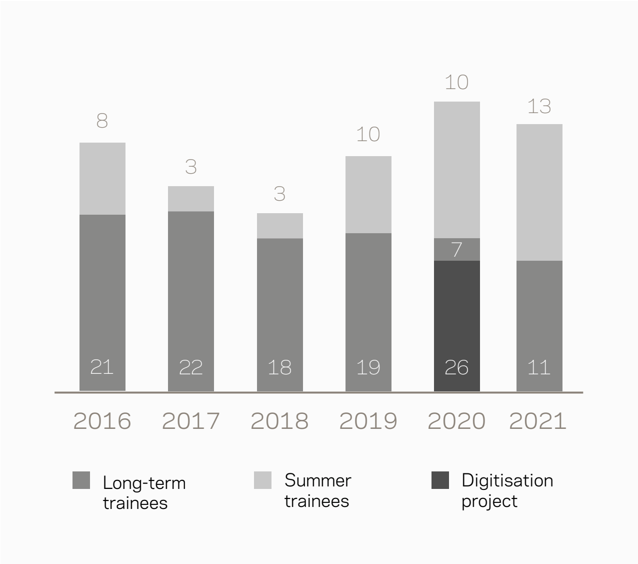
Through its summer trainee programme, Andbank offers students the opportunity to do internships, so that they can learn on the job and gain work experience. These paid internships can be done in any department of the bank and the chosen candidates are assigned specialised mentors in each area.

Andbank Trainee Program

In summer 2021, a total of 11 young people joined corporate services in Andorra as interns. Internships were done both in the branches and in other departments.

Andbank Trainee Programme – long-term scholarships

In 2021, a total of 13 young people joined Andbank's long-term trainee programme. The trainees were people who had completed higher vocational training or a bachelor's or master's degree and were seeking the opportunity to acquire experience in the world of banking. They joined the teams in Operations, Human Resources, Regulatory Compliance, Management Control, Fund Manager, Legal, IT and Business.



Well-being, health and work-life balance

One of the bank's main aims is to have satisfied employees who are proud to work for Andbank. The bank therefore provides a range of measures within the framework of policies aimed at facilitating work-life balance, work organisation and professional growth.

Andbank has a social flexibility programme encompassing practices such as flexible work arrangements (offering employees the possibility of switching from a full-time to a part-time contract), internal reassignment, sabbaticals and other personalised solutions.

Other measures include 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 fosters a culture of balance between the professional life and well-being of staff, with campaigns to promote and recommend content that contributes to personal well-being, mindfulness and positive thinking, among other things.

Health and safety

To protect employees against COVID-19, a Users Supervision and Help Centre has been set up which, together with the Health and Safety Committee, takes the lead in adopting the changing measures and facilitates communication within 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 and 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.

Working from home

Telework was the watchword in 2020 and continued to be used in 2021, owing to its widespread popularity. It has allowed employees to work efficiently and safely from remote locations. It has also brought a major advance, and has become an extremely useful tool, for our everyday activity, replacing the concept of "obligation" with that of "responsibility" and giving employees more autonomy and scope to combine work with their daily lives.

Works Committee

Andbank remains a pioneer in the country's banking sector in having a nine-member Works Committee.

The purpose of this committee is to represent the employees and defend their rights and interests within the company, serving as a liaison between the bank's senior management and its employees. 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.

Projects completed in 2021 include the creation of common areas, equipped with refrigerators, microwaves and tables, where employees can have breakfast and lunch or take a break; parking spaces for non-motorised vehicles; and electric vehicle charging points. A teleworking protocol is currently under discussion.

08 / Governance Structure

Governance Structure

Chairmanship

Manel Cerqueda Donadeu
Chairman

Oriol Ribas Duró
Deputy

Board of Directors

Carmen Aquerreta Ferraz
Independent Director

Manel Cerqueda Díez
Director

Javier Gómez Acebo Saenz de Heredia
Independent Director

Jorge Maortua Ruiz-López
Independent Director

Sergi Pallerola Gene
Director

Jaume Serra Serra
Director

César Valcárcel Fernández
Independent Director

Pablo García Montañés
Secretary (no Director)

General Management

Carlos Aso Miranda
CEO

Josep Xavier Casanovas Arasa
Deputy Chief Executive Officer
Finance Area

Santiago Mora Torres
Deputy Chief Executive Officer
Investment Area

Marta Bravo Pellisé
Deputy Chief Executive Officer
Estrategy & Business Area

Pablo García Montañés
Deputy Chief Executive Officer
General Secretary

Javier Planelles Cantarero
Deputy Chief Executive Officer
Technology Area

09 / Andbank in the world

Andbank in the world

BRAZIL

ANDBANK BRASIL Group
Banking License
Fund and Portfolio Management Company

Av. Brigadeiro Faria Lima,
2179 - 8 andar Jd. Paulistano
CEP 01452-000
São Paulo - SP. Brasil
T. +55. 11 3095. 7070
privatebank_br@andbank.com

MEXICO

Columbus de Mexico, S.A. de CV
Independent Investment Advisor

Blvd. Adolfo López Mateos 2370, 1º
Colonia Altavista
01060 México D.F. , México
T. +52. 555. 377. 28. 10
columbus@columbus.com.mx

PANAMA

QUEST Wealth Advisers, Inc.
Brokerage Firm

Business Park Torre V, Piso 15
Avenida de la Rotonda, Costa del Este. Panamá City
T. +507. 297. 58. 00
info.panama@andbank.com

URUGUAY

AND PB Financial Services, S.A.
Representative Office of Andorra Banc
Agrícol Reig, S.A.

Luis Bonavita 1294
WTC Torre IV - Of 1402
11300 Montevideo.
T. +598 2628 6885
info.uruguay@andbank.com

Quest Capital Advisers Agente de Valores, S.A.
Securities Agency

WTC Free Zone
Dr. Luis Bonavita 1294 piso 11 Oficina 1101
11300 Montevideo, Uruguay
T. +598 2626 2333
info@questadvisers.com

APW Uruguay, S.A.
Investment Advisor

Luis Bonavita 1266
WTC Torre IV - Of 608
11300 Montevideo. Uruguay
T. +598 2623 4371
info.uruguay@andbank.com

USA

Andbanc Wealth Management, LLC
Holding

1221 Brickell Avenue, Suite 1050
Miami, FL 33131. USA
T. +1. 305. 702. 06. 00
info.miami@andbank.com

Andbanc Brokerage, LLC
Brokerage Firm

1221 Brickell Avenue, Suite 1050
Miami, FL 33131. USA
T. +1. 305. 702. 06. 00
info.miami@andbank.com

Andbanc Advisory, LLC
Asset Management Company and Investment Advisor

1221 Brickell Avenue, Suite 1050
Miami, FL 33131. USA
T. +1. 305. 702. 06. 00
info.miami@andbank.com

ANDORRA

Andorra Banc Agrícol Reig, S.A.
Banking License

C/Manuel Cerqueda i Escaler, 4-6
AD700 Escaldes-Engordany. Andorra
Tel. +376. 873. 333
info@andbank.com

Andorra Gestió Agrícol Reig, S.A.U., SGOIC
Andorran Fund Management Company

C/ Manuel Cerqueda i Escaler, 3-5
AD700 Escaldes-Engordany. Andorra
Tel. +376. 873. 300
info@andbank.com

ISRAEL

SIGMA Group
Fund and Portfolio Management Company

14 Abba Hillel Silver Road
Ramat Gan
5250607 - Tel-aviv.
T. +972.361.38218
info@sigma-invest.co.il

LUXEMBOURG

Andbank Luxembourg, S. A.
Banking License

4, rue Jean Monnet
L-2180 Luxembourg
T. +352. 27. 49. 761
info.luxembourg@andbank.com

Andbank Asset Management
Luxembourg, S. A.
Fund and Portfolio Management Company

4, rue Jean Monnet
L-2180 Luxembourg
T. +352. 27. 49. 761
info.luxembourg@andbank.com

MONACO

Andbank Monaco, SAM
Banking License

1, Avenue des Citronniers - BP 97
MC 98002 Monte-Carlo
Principauté de Monaco
T. +377. 93. 253. 013
info@andbank-monaco.mc

SPAIN

Andbank España, S.A.U.
Banking License

Paseo de la Castellana, 55, 3º
28046 Madrid. España
T. + 34. 91. 206. 28. 50
contactenos@andbank.es

Andbank Wealth Management SGIIC S.A.U.
Management Company of Collective Investment Undertakings

Paseo de la Castellana, 55, 3º
28046 Madrid. España
T. + 34. 91. 206. 28. 50
andbankwmes@andbank.es

Medipatrimonia Invest S. L.
Independent Investment Advisor

Passeig de la Bonanova, 47, 2n
08017 Barcelona. España
T. + 34. 93. 567. 88. 51
medpatrimonia@med.es

SWITZERLAND

And Private Wealth, S.A.
Asset Management Company

Rue du Rhône 11
CP 3012 - 1211 Geneva 3
T. +41. 228. 183. 940
info.apw@andpw.com

Spain
Andorra
Luxembourg
Switzerland
Monaco
Israel