ANDBANK
Private Bankers

ANNUAL REPORT 2022

Index

00
P. 5
Andbank Group key figures

01
P. 11
Letter from the Chairman

02
P. 15
Report audit

03
P. 23
Financial statements Andbank Group

04
P. 147
Global economic and financial market developments.
Summary of 2022 and outlook for 2023

05
P. 157
Risk management

06
P. 171
Corporate social responsibility report 2022

07
P. 181
Human team structure

08
P. 185
Governance Structure

09
P. 189
Andbank in the world

00

Andbank Group key figures

Andbank Group key figures

Financial group founded in 1930.

Preserving and growing the wealth of our customers is our only goal.
Our values define us as an organisation, competitive and demanding in search of excellence.

1.257	Professionals
7	Wealth managers
5	Banking licenses
5	Brokerage firms
5	Fund managers
3	Financial brokerage agencies
3	Investment advisers

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

Andbank Values

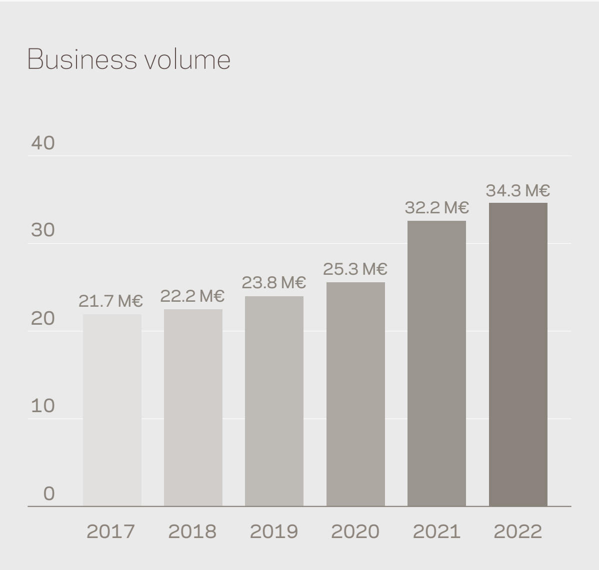
“

The values that unite us

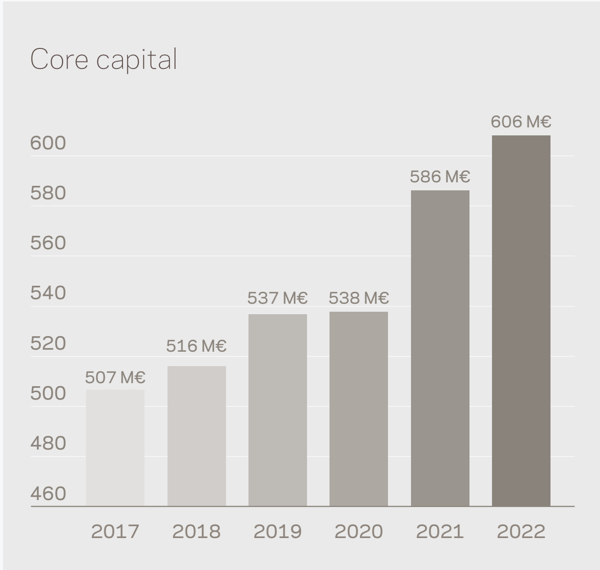
Key figures

- **34,3 M€** Business volume
- **31,2 B€** AUM
- **30 M€** Net profit
- **11 %** ROTE
- **606 M€** Capital
- **15,7 %** TIER 1
- **234 %** Liquidity LCR
- **57,59 %** LTD
- **BBB** Rating with a stable outlook
- **1,7 %** NPL ratio

A bank that is growing



A sound bank



Dynamic and innovative

myinvestor

myandbank

Actyus

Agreement with Creditas

creditas

Agreement with Clarity

CLARITY CAPITAL

01

Letter from the Chairman

Letter from the Chairman

Manel Cerqueda Donadeu

After a grim start to the year, when COVID-19 rampaged through family Christmas celebrations, over the course of 2022 the pandemic gradually receded. The vaccines took effect and, as the months went by, huge progress was made in the return to normality. The shameful invasion of Ukraine by Russia pushed the latest COVID-19 variants and strains into the background.

The armed conflict (still ongoing) affected areas of great importance to global stability and strained relations between Russia, the European Union and the United States, while also redefining the involvement of the Asian countries.

Besides the geopolitical upheaval, the war also affected countries' economies and citizens' pockets by giving rise to inflation that prompted successive interest rate hikes. In terms of activity, the trend in 2022 was downward, leading to a severely deteriorated situation at year-end as a result of the uncertainty caused by the war and relations between countries, rising inflation and restrictive financial conditions. In the end, global economic growth stabilised at a notable 3.4%.

The behaviour of the financial markets, for all asset classes, was also extremely complex, leading most investors to choose liquidity, as few other options to make a return on their investments were to be found. The falls in the main markets were widespread and deep, with the MSCI ACWI Global falling by -19.97%, the U.S. S&P Index closing at -19.4%, the Europe Stoxx Index dropping -14.4% and the China Shenzhen Index down -21.9%.

In fixed income the declines were equally steep, with the 10-year US Treasury bond closing down -17.4% for the year and the 10-year German bond losing -22.1%. The performance of the government bonds of Spain (-24%), Italy (-27%), Portugal (-24%) and Greece (-25%) was even worse.

So this was the context in which we were to carry out the first year of our 2022-2024 strategic plan.

In an environment full of uncertainties, we continued to pursue our goal of consolidating our position as a major private banking player in the countries in which we are present. Building on the pillars that represent the essence of our business, namely, specialisation, proximity, dynamism and professional excellence, we ended the year with growth.

Thanks to the concerted efforts of the 1,257 professionals who make up the Group's team, we ended 2022 with total revenue of 34,300 million euros, total assets under management of 31,247 million euros and profit of 30 million euros.

Moreover, our business remains as robust as ever, with a ROE of 5% and a ROTE of 11.07%. Similarly, efficient resource management brought our own funds to 606.8 million euros, lifting 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) thus reached 15.7% on a consolidated basis, the liquidity coverage ratio climbed to 234%, well above the minimum of 100%, and the non-performing loans (NPL) ratio fell to 1.7%.

On the rating front, Fitch raised Andbank's outlook to stable, while confirming its long-term credit rating of "BBB", citing a foreseeable improvement "in the entity's earnings and profitability, supported by higher private banking volumes and its strengthened capacity to absorb credit risks". For the third year running, Andbank was also the highest rated bank in Andorra.

In its report, Fitch acknowledged Andbank's "satisfactory" capitalisation, sound operating profitability, asset quality, strong reserve coverage and loan collateralisation. It also highlighted Andbank's international presence (on a larger scale than Andorran peers) and its adequate presence in Andorra.

Andbank continues to do business in the 11 countries in which it is present, with particularly significant contributions from Andorra, Spain, Monaco and Luxembourg. In 2022 we also continued to carry out corporate transactions, most notably in Brazil, with the sale of our banking license to Creditas, a digital financial solutions platform. In Brazil we continue to operate as a broker dealer and fund manager.

Similarly, in Israel we signed an agreement with wealth management firm Clarity Capital Group to supplement the investment fund management services we offer through Sigma Investment House. This business combination has created a major new player in the Israeli asset management industry.

Through a transaction carried out in Spain at the end of the year, MyInvestor, a neobank owned by Andbank, El Corte Inglés, AXA and a number of family offices, began to operate independently and was registered as a bank. At the same time, in Andorra, we launched Myandbank, one of our latest technological initiatives, of which we are very proud and which we expect to see grow.

After more than 90 years, Andbank, as a group, continues to show dynamism and traction in positioning itself as a leader in the private banking business. In addition to all the corporate transactions, the team was expanded, additional private banking offices were opened (mainly in Andorra and Spain), and our enthusiasm as members of this great family continued to grow.

After almost a century in business, we continue to innovate, proposing innovative solutions tailored to present circumstances and customers' needs, generating new business lines and commercial agreements. Our goal is to continue to grow, not at any cost but in a measured, rational way, always keeping the focus on the customer.

What makes all this possible is the daily effort of the members of the Andbank team, whose professional excellence and dedication enables us to advance steadily in the right direction and whom I would like to thank for their constancy, continuous improvement and dedication.

What gives us the most pride, however—and naturally so—is our striving to give back to society part of the value we generate, above all by supporting cancer research, which is one of the core themes of our corporate social responsibility programme. In 2022, through our Global Sustainable Impact (GSI) fund, we were proud to have the honour of collaborating with the research projects carried out by the Pediatric Cancer Center at Sant Joan de Déu Hospital, with the FERO Foundation, and with the CRIS Foundation against Cancer, as well as other organisations that support disadvantaged groups.

We also contributed to various initiatives aimed at supporting Ukrainian society and serving other serious humanitarian causes. At the same time, we are taking steps to make our activity more efficient and environmentally responsible. In this age we live in, with so many social, humanitarian, health and climate challenges to be met, an institution such as Andbank must do all it can to make this world a better place.

We hope that the high personal and professional standards we strive to exemplify in our daily work, along with our passion to care for others, will continue to earn us the trust of our clients, to whom on behalf of the Andbank Group's shareholders and Board of Directors I convey our sincerest thanks.

02

Report audit

Report audit

Deloitte.

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 2022, 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 2022, 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 2022 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 is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

- 2 -

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 2023

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.

- 1 -

03

Financial statements Andbank Group

INDEX FOR THE CONSOLIDATED ANNUAL ACCOUNTS

Consolidated financial statements

Consolidated Statements of Financial Position: Assets
Consolidated Statements of Financial Position: Liabilities
Consolidated Statements of Financial Position: Equity
Consolidated Income Statements
Consolidated Statements of Comprehensive Income
Consolidated Statements of Changes in Equity
Consolidated Statements of Cash Flows

Notes to the consolidated financial statements

1 Nature, activities and composition
2 Basis of presentation for the consolidated annual accounts
a. Compliance with IFRS as adopted by the Andorran Government
b. Basis of presentation for the consolidated annual accounts
c. Comparative information
d. Changes in accounting criteria and correction of errors
e. Functional and presentation currency
f. Relevant accounting estimates and relevant assumptions and judgements when applying accounting policies
g. New requirements of the IFRS introduced in 2022
h. Recent IFRS pronouncements
3 Relevant accounting principles and valuation standards
4 Distribution of profit
5 Cash, cash balances at central banks and other demand deposits
6 Financial assets and liabilities held for trading
7 Non-trading financial assets mandatorily at fair value through profit or loss
8 Financial assets designated at fair value through profit or loss
9 Financial assets at fair value through other comprehensive income
10 Financial assets at amortised cost
11 Derivatives - Hedge accounting and Fair value changes of the hedged items in portfolio hedge of interest rate risk.
12 Investments in subsidiaries, joint ventures and associates
13 Tangible assets

14 Intangible assets
15 Tax assets and liabilities
16 Other assets and liabilities
17 Non-current assets and disposal groups classified as held for sale
18 Financial liabilities measured at amortised cost
19 Provisions
20 Capital and reserves
21 Accumulated other comprehensive income
22 Off-balance sheet exposures
23 Third party transactions
24 Interest income and expenses
25 Dividend income
26 Fee and commission income
27 Fee and commission expenses
28 Gains or losses on financial assets and liabilities
29 Exchange differences, net
30 Other operating income/expenses
31 Administrative expenses
32 Provisions or reversals of provisions
33 Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss
34 Impairment or reversal of impairment on non-financial assets
35 Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations.
36 Balances and transactions with related parties
37 Taxation
38 Risk management
39 Fair value of financial assets and financial liabilities
40 Events after the reporting period
41 Compliance with legislation

APPENDIX

Appendix I: Andbank Group companies

Appendix II: Annual banking report

Statement of financial position

ASSETS	31/12/2022	31/12/2021
		Thousands of Euros
Cash, cash balances at central banks and other demand deposits (note 5)	**541,699**	**1,079,398**
Cash on hand	19,024	17,642
Cash balances at central banks	106,445	779,664
Other demand deposits	416,230	282,092
Financial assets held for trading (note 6)	**389,342**	**221,918**
Derivatives	169,897	119,575
Equity instruments	239	778
Debt securities	219,206	101,565
Non-trading financial assets mandatorily at fair value through profit or loss (note 7)	**8,399**	**9,275**
Equity instruments	8,399	9,275
Financial assets designated at fair value through profit or loss (note 8)	**11,802**	**13,333**
Debt securities	11,802	13,333
Financial assets at fair value through other comprehensive income (note 9)	**232,704**	**330,717**
Equity instruments	7,064	8,750
Debt securities	225,640	321,967
Financial assets at amortised cost (note 10)	**5,032,023**	**3,512,148**
Debt securities	680,463	556,656
Loans and advances	4,351,560	2,955,492
Central banks	1,029,800	-
Credit institutions	381,251	485,526
Customers	2,940,509	2,469,966
Derivatives - Hedge accounting (note 11)	**19,180**	**2,955**
Fair value changes of the hedged items in portfolio hedge of interest rate risk (note 11)	**(13,629)**	**2,731**
Investments in subsidiaries, joint ventures and associates (note 12)	**3,289**	**3,138**
Assets under insurance and reinsurance contracts	**14,456**	**5,108**
Tangible assets (note 13)	**118,469**	**131,551**
Property, plant and equipment	104,837	114,823
Investment property	13,632	16,728
Intangible assets (note 14)	**241,752**	**270,862**
Goodwill	132,668	147,892
Other intangible assets	109,084	122,970
Tax assets (note 15)	**34,845**	**32,354**
Current tax assets	5,841	4,762
Deferred tax assets	29,004	27,592
Other assets (note 16)	**101,021**	**92,620**
Non-current assets and disposal groups classified as held for sale (note 17)	**209,964**	**16,611**
TOTAL ASSETS	6,945,316	5,724,719

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2022.
The financial statements for 2021 are also included for comparative purposes (see note 2.c i d).

Statement of financial position

LIABILITIES	31/12/22	31/12/21
		Thousands of Euros
Financial liabilities held for trading (note 6)	**91,691**	**57,847**
Derivatives	91,691	57,847
Financial liabilities designated at fair value through profit or loss	**-**	**-**
Financial liabilities measured at amortised cost (note 18)	**5,982,785**	**4,965,488**
Deposits	5,436,982	4,477,896
Debt securities issued	443,133	343,845
Other financial liabilities	102,670	143,747
Derivatives - Hedge accounting (note 11)	**1,032**	**4,757**
Fair value changes of the hedged items in portfolio hedge of interest rate risk (note 11)	**-**	**171**
Liabilities under insurance and reinsurance contracts	**14,456**	**5,108**
Provisions (note 19)	**17,524**	**26,322**
Tax liabilities (note 15)	**14,919**	**13,496**
Current tax liabilities	5,834	5,067
Deferred tax liabilities	9,085	8,429
Share capital repayable on demand	**-**	**-**
Other liabilities (note 16)	**97,869**	**83,312**
Liabilities included in disposal groups classified as held for sale (note 17)	**118,266**	**1,508**
TOTAL LIABILITIES	6,338,542	5,158,009

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2022.
The financial statements for 2021 are also included for comparative purposes (see note 2.c i d).

Statement of financial position

		Thousands of Euros
CAPITAL AND RESERVES	**31/12/22**	**31/12/21**
Capital (note 20)	**83,441**	**83,441**
Paid up capital	83,441	83,441
Share premium (note 20)	**103,842**	**103,842**
Equity instruments issued other than capital (note 20)	**33,950**	**34,700**
Other equity instruments issued	33,950	34,700
Accumulated other comprehensive income (note 21)	**(44,061)**	**(40,257)**
Items that will not be classified to profit or loss	(52)	(16)
Fair value changes of equity instruments measured at fair value through other comprehensive income	(52)	(16)
Items that may be reclassified to profit or loss	(44,009)	(40,241)
Foreign currency translation	(30,347)	(35,853)
Hedging derivatives Cash flow hedges (effective portion)	1,876	(679)
Fair value changes of debt instruments measured at fair value through other comprehensive income	(15,538)	(3,709)
Retained earnings (note 20)	**455,467**	**461,559**
Other reserves (note 20)	**(61,911)**	**(95,274)**
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates	101,600	59,230
Other	(163,511)	(154,504)
(-) Treasury shares	**(2,307)**	**(2,307)**
Profit or loss attributable to owners of the Parent	**30,123**	**14,023**
Minority interests (non-controlling interests)	**8,230**	**6,983**
TOTAL EQUITY	**606,774**	**566,710**
TOTAL EQUITY AND LIABILITIES	**6,945,316**	**5,724,719**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2022.
The financial statements for 2021 are also included for comparative purposes (see note 2.c i d).

Statement of financial position

INCOME STATEMENT	31/12/22	31/12/21
		Thousands of Euros
Interest income (note 24)	**69,683**	**46,783**
Financial assets held for trading	2,516	2,504
Financial assets designated at fair value through profit or loss	334	186
Financial assets at fair value through other comprehensive income	3,085	4,275
Financial assets at amortised cost	63,745	39,818
Other assets	3	-
(Interest expenses) (note 24)	**(27,004)**	**(16,156)**
(Financial liabilities measured at amortised cost)	(25,847)	(14,244)
(Derivatives - Hedge accounting, interest rate risk)	(296)	(413)
(Other liabilities)	(861)	(1,499)
(Expenses on share capital repayable on demand)	**-**	**-**
Dividend income (note 25)	**312**	**192**
Non-trading financial assets mandatorily at fair value through profit or loss	104	-
Financial assets at fair value through other comprehensive income	208	192
Fee and commission income (note 26)	**214,121**	**223,223**
(Fee and commission expenses) (note 27)	**(80,928)**	**(81,649)**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (note 28)	**1,233**	**2,669**
Financial assets at fair value through other comprehensive income	1,376	2,592
Financial assets at amortised cost	(143)	77
Financial assets at fair value through other comprehensive income	**-**	**-**
Gains or losses on financial assets and liabilities held for trading, net (note 28)	**39,617**	**38,375**
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net (note 28)	**(19)**	**(24)**
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net (note 28)	**(1,462)**	**(354)**
Gains or losses from hedge accounting, net (note 28)	**(1,932)**	**(378)**
Exchange differences (gain or loss), net (note 29)	**8,814**	**4,834**
Gains or losses on derecognition of non-financial assets, net	**797**	**329**
Other operating income (note 30)	**10,938**	**10,282**
(Other operating expenses) (note 30)	**(7,691)**	**(10,612)**
TOTAL OPERATING INCOME/EXPENSES, NET	**226,479**	**217,514**
(Administrative expenses) (note 31)	**(168,647)**	**(155,576)**
(Staff expenses)	(112,448)	(104,586)
(Other administrative expenses)	(56,199)	(50,990)
(Amortisation and depreciation)	**(30,402)**	**(29,292)**
(Property, plant and equipment) (note 13)	(17,456)	(17,320)
(Investment properties) (note 13)	(80)	(200)
(Other intangible assets) (note 14)	(12,866)	(11,772)
Modification gains or losses, net	**-**	**-**
(Provisions or reversal of provisions) (note 32)	**143**	**(16,918)**
(Commitments and guarantees given)	(8)	(6)

Thousands of Euros

INCOME STATEMENT	31/12/22	31/12/21
(Other provisions)	151	(16,912)
(Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss) (note 33)	**1,257**	**2,337**
(Financial assets at fair value through other comprehensive income)	(301)	12
(Financial assets at amortised cost)	1,558	2,325
(Impairment of reversal of impairment on investments in subsidiaries, joint ventures and associates)	**(778)**	**(47)**
(Impairment or reversal of impairment on non-financial assets) (note 34)	**(281)**	**(15,675)**
(Property, plant and equipment)	9	(628)
(Goodwill)	-	(13,007)
(Other intangible assets)	(130)	(1,735)
(Other)	(160)	(305)
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	**631**	**391**
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (note 35)	**(313)**	**806**
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**28,089**	**15,334**
(Tax expense or income related to profit or loss from continuing operations) (note 37)	1,735	(296)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**29,824**	**15,038**
Profit or loss after tax from continuing operations	**-**	**-**
PROFIT OR LOSS FOR THE YEAR	**29,824**	**15,038**
Attributable to minority interest (non-controlling interests)	(299)	1,015
Attributable to owners of the Parent	**30,123**	**14,023**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2022.
The financial statements for 2021 are also included for comparative purposes (see note 2.c i d).

Statement of comprehensive income

Thousands of Euros		
STATEMENT OF COMPREHENSIVE INCOME	**31/12/22**	**31/12/21**
Profit or loss for the year	**29,824**	**15,038**
Other comprehensive income	**(3,804)**	**(5,747)**
Items that will not be classified to profit or loss	**(37)**	**(91)**
Fair value changes of equity instruments measured at fair value through other comprehensive income	(41)	(101)
Income tax relating to items that will not be reclassified	4	10
Items that may be reclassified to profit or loss	**(3,768)**	**(5,656)**
Foreign currency translation	5,506	(291)
Translation gains or losses taken to equity	5,506	(291)
Hedging derivatives Cash flow hedges (effective portion)	2,840	(167)
Valuation gains or losses taken to equity	2,840	(167)
Debt instruments at fair value through other comprehensive income	(13,144)	(5,794)
Valuation gains or losses taken to equity	(13,144)	(5,794)
Income tax relating to items that may be reclassified to profit or loss	1,030	596
Total comprehensive income for the year	**26,020**	**9,291**
Attributable to minority interest (non-controlling interest)	(299)	1,015
Attributable to owners of the Parent	26,319	8,276

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2022.
The financial statements for 2021 are also included for comparative purposes (see note 2.c i d).

Statement of changes in equity

	Capital	Share premium	Equity instruments issued other than capital	Accumulated other comprehensive income
Balance at 31 December 2021	**83,441**	**103,842**	**34,700**	**(40,257)**
Effects of correction of errors	-	-	-	-
Effects of changes in accounting policies	-	-	-	-
Balance at 1 January 2022	**83,441**	**103,842**	**34,700**	**(40,257)**
Issuance of ordinary shares	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	(750)	-
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	-	-	-	(3,804)
Balance at 31 December 2022	**83,441**	**103,842**	**33,950**	**(44,061)**

	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	-	-
Issuance of preference shares	-	-	-	-
Issuance of other equity instruments	-	-	-	-
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)**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2022.
The financial statements for 2021 are also included for comparative purposes (see note 2.c i d).

Thousands of Euros

					Minority interests	
	Retained earnings	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the Parent	Accumulated other comprehensive income	Total
	461,559	**(95,274)**	**(2,307)**	**27,030**	**6,983**	**579,717**
	-		-	(13,007)	-	(13,007)
	-	-	-	-	-	-
	461,559	**(95,274)**	**(2,307)**	**14,023**	**6,983**	**566,710**
	-	-	-	-	-	-
	-	-	-	-	-	(750)
	-	-	-	-	-	-
	-	-	-	-	-	-
	(4,649)	-	-	(14,023)	-	(18,672)
	-	15,099	-	-	-	15,099
	(1,443)	18,264	-	-	1,545	18,366
	-	-	-	30,123	(298)	26,021
	455,467	**(61,911)**	**(2,307)**	**30,123**	**8,230**	**606,774**

Thousands of Euros

					Minority interests	
	Retained earnings	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the Parent	Accumulated other comprehensive income	Total
	455,963	**(105,242)**	**(1,927)**	**29,470**	**5,354**	**536,190**
	-	(7,011)	-	-	-	(7,011)
	-	-	-	-	-	-
	455,963	**(112,253)**	**(1,927)**	**29,470**	**5,354**	**529,179**
	-	(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	**(95,274)**	**(2,307)**	**27,030**	**6,983**	**579,717**

	STATEMENT OF CASH FLOWS	31/12/22	31/12/21
			Thousands of Euros
A,	**Cash flows used in operating activities**	**(608,696)**	**(203,854)**
	Profit for the year	30,122	14,023
	Adjustments to obtain cash flows from operating activities	26,635	53,078
	Depreciation and amortisation	30,402	29,293
	Other adjustments	(3,767)	23,785
	Net decrease in operating assets	(1,637,380)	(733,991)
	Financial assets held for trading	(167,422)	(31,961)
	Non-trading financial assets mandatorily at fair value through profit or loss	2,406	2
	Financial assets at fair value through other comprehensive income	(25,781)	(15,608)
	Financial assets at amortised cost	(1,421,259)	(675,396)
	Other operating assets	(25,324)	(11,028)
	Net increase in operating liabilities	972,822	469,330
	Financial liabilities held for trading	33,844	(16,452)
	Financial liabilities measured at amortised cost	931,686	498,129
	Other operating liabilities	7,292	(12,347)
	Income tax receivable/payable	(895)	(6,294)
B,	**Cash flows used in investing activities**	**(26,098)**	**(12,572)**
	Payments	(54,323)	(20,043)
	Tangible assets	(9,834)	(5,427)
	Intangible assets	(9,903)	(11,185)
	Subsidiaries and other business units	(203)	-
	Non-current assets and liabilities classified as held for sale	(34,383)	(3,431)
	Amounts received	28,225	7,471
	Tangible assets	8,432	1,253
	Subsidiaries and other business units	15,098	2,535
	Non-current assets and liabilities classified as held for sale	4,695	3,683
C,	**Cash flows from/(used in) financing activities**	**97,095**	**(6,309)**
	Payments	(2,193)	(40,244)
	Dividends	-	(8,000)
	Debt securities	-	(30,290)
	Redemption of own equity instruments	(2,193)	(1,574)
	Acquisition of own equity instruments	-	(380)
	Amounts received	99,288	33,935
	Debt securities	99,288	-
	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)**	**(537,699)**	**(222,735)**
F)	**Cash and cash equivalents at the beginning of the period**	**1,079,398**	**1,302,133**
G)	**Cash and cash equivalents at end of the period**	**541,699**	**1,079,398**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2022.
The financial statements for 2021 are also included for comparative purposes (see note 2.c i 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 necessary activity 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 Manel Cerqueda i Escaler, number 4-6, Escaldes - Engordany, Principality of Andorra.

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

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

Andbank is the Parent of the Andorra Banc Agrícol Reig Group (hereinafter the Group or 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 2022 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 2022 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.

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 2022 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 2021, prepared in accordance with IFRS-Andorra and IFRS-EU in force in 2021, were approved by the shareholders at a general meeting held on 27 April 2022. The 2022 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 2022 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 2021 and consolidated notes thereto, prepared in accordance with standards prevailing in 2021, is presented solely and exclusively for the purpose of comparison with the information for 2022 and therefore does not constitute consolidated annual accounts of the Andbank Group for 2022.

Agreement for the sale of Banco Andbank (Brasil) to Creditas Financial Holding.

As mentioned in note 3 a), during 2022 an agreement was reached to sell the stake in Banco Andbank (Brasil), S.A., the parent of a group of companies with a banking licence, through which the Andbank Group carries out its private banking activities in Brazil. As established in IFRS 5, asset and liability balances for these companies for sale have been reclassified from their corresponding headings to Non-current assets and disposal groups classified as held for sale and Liabilities included in disposal groups classified as held for sale, respectively, on the consolidated balance sheet at 31 December 2022. Likewise, as required by IFRS 5, gains generated or losses incurred by these companies from the signing of the sale and purchase agreement until the year end are recognised under Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations on the consolidated income statement for the year. Note 17 includes details of the assets and liabilities of the companies for sale in Brazil in 2022.

The closing of the transaction is subject to obtaining authorisations from the competent regulating authorities, estimated to take place during the second half of 2023.

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 2022 include comparative figures for 2021, which differ from those approved by the shareholders at a general meeting held on 27 April 2022 as a result of the corrections to errors detailed below:

- It has been detected that the goodwill of Andbank Corretora de Seguros de Vida Ltda (Brazil), Quest Capital Advisers Agente de Valores S.A. (Uruguay) and Columbus (Mexico) showed indications of impairment, which had arisen in the prior year. Following the analysis carried out, the aforementioned goodwill was impaired with a charge to reserves, for amounts of Euros 9,007 thousand, Euros 3,000 thousand and Euros 1,000 thousand, respectively.
- An amount of Euros 7,011 thousand was reclassified (Euros 7,011 thousand in 2020) for intangible assets recognised in prior years. It has been detected that these assets do not strictly meet the conditions established in IAS 38 for capitalisation, or as a result of the technological changes made in 2017 they do not provide economic benefits for their use from previous years.

None of the aforementioned corrections have an impact on the Group's capital ratios.

The following statement of financial position items for 2021 have been affected by the corrections:

Statement of financial position	Presented at 31 December 2021	Restated	Restated at 31 December 2021
Goodwill	160,899	(13,007)	147,892
Other intangible assets	129,981	(7,011)	122,970
Total assets	**5,744,737**	**(20,018)**	**5,724,719**
Other reserves	(88,263)	(7,011)	(95,274)
Profit attributable to owners of the Parent	27,030	(13,007)	14,023
Total equity	**586,728**	**(20,018)**	**566,710**
Total equity and liabilities	**5,744,737**	**(20,018)**	**5,724,719**

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 2022

During 2022 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. Reference to the Conceptual Framework	IFRS 3 is updated to **align the definitions of an asset and liability in a business combination** with those contained in the conceptual framework for 2018. In addition, **a new exception to IFRS 3 for liabilities and contingent liabilities** has been added.	1 January 2022
Amendments to IAS 16. Proceeds before Intended Use	The amendments **prohibit deducting from the cost of an item of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use**. Sales proceeds for such samples, together with the costs of production, are now recognised in profit or loss. The amendments also clarify that an entity is testing whether the asset is functioning properly when it assesses the technical and physical performance of the asset. The financial performance of an asset is not relevant for this assessment. Therefore, an asset can be capable of operating in the manner intended by management and subject to depreciation before it has reached the level of operating performance expected by management	1 January 2022
Amendments to IAS 37. Onerous Contracts - Cost of Fulfilling a Contract	It mentions that the direct cost of fulfilling a contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. It also clarifies that before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, in accounts for the assets dedicated to the contract.	1 January 2022

These standards, amendments and interpretations adopted have not had a significant impact on the Group's financial statements from 1 January 2022 to 31 December 2022.

▪h. Recent IFRS pronouncements

During 2023 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 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
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 10 and IAS 28. Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	These amendments clarify the accounting treatment of assets sold or contributed between an investor and its associates or joint ventures, depending on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business. The investor recognises the gain or loss when the non-monetary assets constitute a business. If the assets do not meet the definition of a business the investor recognises the gain or loss to the extent of other investors' interests. The amendments shall only be applied when an investor sells or contributes assets to its associate or joint venture.	1 January 2023 (*)
IFRS 17 . Insurance contracts	**This sets out the principles that an entity must apply to account for insurance contracts:** This new standard replaces IFRS 4. The new standard introduces a single accounting model for all insurance contracts and requires that entities use assumptions in line with their estimates.	1 January 2024 (**)
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 2024 (**)

(*) The IASB decided to defer the expiry date of the amendments (without fixing a new specific date) as it is considering a broader review that could result in simplifying the accounting of these transactions and other aspects of accounting for associates and joint ventures.
(**) Earlier application is permitted on or after 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. No significant impacts are expected from the application of these standards, nor in particular from IFRS 17.

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 2024
Amendments to IFRS 16. Lease Liability in a Sale and Leaseback	These amendments specify how a seller-lessee measures the lease liability arising from a sale and leaseback transaction **so that the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains**.	1 January 2024

At the date these financial statements were authorised for issue, the Andbank Group had still not evaluated the effect that these standards could have on its financial statements, 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 2022 and 2021 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). (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 2022 and 2021 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 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 was not effective until the following suspensive conditions have been met:

- The non-opposition of the sale-purchase transaction by the Spanish National Securities Market (CNMV). Event that took place on 17 and 23 June 2022.

- Express authorisation of the transaction by the Andorran Financial Authority (AFA). Event that took place on 29 June 2022.

As a result of this agreement, in the financial statements for 2021 the assets and liabilities of Wealthprivat Asset Management S.G.I.I.C., S.A. were 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, SA 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.

Within the investments that the Andbank Group holds in Spain, certain mercantile restructuring has been implemented to improve the banking activity in all of its lines of business. Specifically, the objectives it seeks with these operations are as follows:

- Because the Andbank España Group holds two different banking licences, as a result of the corporate reorganisation it will independently carry out retail banking activity for one of the licences and private banking activity for the other licence. This will boost efficiency when managing the different businesses carried out for each of the banking licences, whilst taking advantage of economies of scale which entail integrating the private banking business into a single business on the one hand and the retail banking business on the other.

- This will provide a more flexible structure in the face of future business associations with third parties in each business area, especially regarding the rounds of financing planned in the commercial banking business.

In the scope of this transaction, on 21 December 2022 Andbank España, S.A.U. (now called My Investor Banco, S.A.U.) was spun off in favour of WealthPrivat Bank, SAU (now called Andbank España Banca Privada, S.A.U.) for the purpose of separating their private banking and commercial banking businesses into two independent banks. This transaction was authorised by the corresponding supervisory authorities: the Spanish National Securities Commission (CNMV) on 2 December 2022, the Banco de España on 20 December 2022, the European Central Bank on 5 December 2022, the Spanish Ministry of Economic Affairs and Digital Transformation on 17 October 2022 and the Andorran Financial Authority (AFA) on 1 December 2022. In addition, in a letter dated 29 December 2022, the Banco de España communicated its favourable ruling regarding the statutory amendments forming part of this process.

The assets spun off included shares from the following Group companies in Spain: Andbank España Banca Privada, S.A.U., Andbank Wealth Management, S.G.I.I.C., S.A.U., APC Servicios Administrativos, S.L.U., Andbank Correduría de Seguros, S.L.U., Merchbanc E.G.F.P., S.A.U., Merchbanc Internacional, S.à.r.L. and Medipatrimonia Invest, S.L.

On 16 February 2023, the AFA registered the changes in name of MyInvestor Banco, SAU (formerly Andbank España, SAU) and Andbank España Banca Privada, SAU (formerly WealthPrivat Bank, SAU).

On 29 December 2022 Banco de España informed MyInvestor Banco, SAU (formerly Andbank España, SAU) and Andbank España Banca Privada, SAU (formerly WealthPrivat Bank, SAU) of the favourable ruling regarding the statutory amendments deriving from the spin-off of these companies.

On 9 September 2022, Andbank requested prior authorisation from the AFA for Myinvestor Banco, SAU's (formerly Andbank España, SAU) direct acquisition of 100% of the shares of Belambe, SL and the indirect acquisition of shares of its Spanish subsidiaries (Finanbest Inversiones Inteligentes; Agencia de Valores, SA; Finanhub, SLU; i Finanbolt, SLU). On 21 February 2023, the AFA granted prior authorisation with no opposition to such transaction.

During 2022, the AFA registered the various sales of MyInvestor, SA shares by Andbank España, SAU, leaving a remaining 49.45% stake to MyInvestor Banco, SAU (formerly Andbank España , SAU) at 31 December 2022 and a 5% stake to Andbank Wealth Management SGIIC, SAU., subsidiary of Andbank España Banca Privada, SAU (formerly WealthPrivat Bank, SAU).

On 26 September 2022 the AFA granted prior authorisation to proceed with the incorporation of a collective investment undertaking management company in Spain, under the name of Actyus Private Equity, SGIIC, SA, with share capital of Euros 300 thousand and fully owned by Andbank. The transaction was authorised by the Spanish National Securities Market Commission (CNMV) on 17 October 2022.

On 29 April 2021, along with subsequent 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 4 March 2022, the AFA informed that it had registered this transaction.

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 6 July 2022 Andbank signed an agreement with Creditas Financial Holding to sell the investee Banco Andbank (Brasil) SA and its subsidiaries, with a banking licence, to carry out its activity under series of conditions for the transfer of the banking business up to that date, included in the aforementioned agreement. Likewise, the terms and conditions set out in the agreement stipulated that Andbank will continue to carry out such activity in the Brazilian market, benefiting from the synergies provided by the agreement reached with the buyer. This agreement includes the sale of 100% of the retail banking business and 25% of the private banking business (which requires the carve-out of this activity), payment of the transaction with bonds convertible into shares of the buyer and an offset of the results of the second half of 2022.

In the scope of this transaction, on 28 October 2022 the AFA granted prior authorisation without opposition for the sale of Banco Andbank (Brasil), SA and Andbank Distribuidora de Títulos e Valores Mobiliários, Ltda. to Creditas Financial Holding. This sale transaction was authorised by the Conselho Administrativo de Defesa Econômica of Brazil on 15 August 2022. This transaction is also subject to obtaining authorisation from the Banco Central do Brasil, which is pending enforcement at the date these financial statements were authorised for issue.

Moreover, the sale and purchase agreement stipulates certain mercantile transactions prior to the transaction being closed. In this context, in November 2022 the share capital of the Brazilian entity Banco Andbank (Brasil), SA was increased by Brazilian Reals 200 million, This transaction was authorised by the corresponding supervisory authorities, the Banco Central do Brasil on 21 November 2022 and the Andorran Financial Authority (AFA) on 28 October 2022.

The closing of the transaction is subject to obtaining the regulating authorisations from the competent authorities. It is estimated that this transaction will be definitively closed in the second half of 2023. Note 17 includes, inter alia, details of the assets and liabilities of the companies for sale at the 2022 close.

As a result of this agreement, the assets and liabilities of Banco Andbank (Brasil), SA are classified in the consolidated statements of financial position for 2022 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 1 June 2021 the AFA granted prior authorisation for the liquidation of Quest Capital Advisers, S.A (AAGI). On 17 August 2022 and 29 September 2022 the Argentine Ministry of Justice and Human Rights - General Inspection of Justice and the AFA, respectively, registered the aforementioned liquidation.

On 18 June 2021 the AFA entered in its corresponding 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.

On 8 August 2022, together with previous letters, Andbank requested prior authorisation from the AFA to carry out a strategic alliance in Israel by integrating the Sigma Group with the business of the Clarity Group that heads KCPS Clarity Capital Group, Ltd, through the creation of a newco in Israel with the subsequent sale of Clarity Group and Sigma Investment House, Ltd shares. This transaction was authorised by the Israel Securities Authority on 1 December 2022 and by the AFA on 21 February 2023, and will come into effect in 2023.

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. On 28 March 2022, the AFA registered the aforementioned liquidation and extinction.

On 8 July 2022, within the framework of the liquidation of Nobilitas, NV, the AFA regularised and registered Nobilitas, NV's transfer of all the shares of Zumzeiga, BV and Egregia, BV to Andbank, as well as the liquidation and winding up of Nobilitas, NV. Transactions duly registered in the Netherlands Chamber of Commerce on 13 April 2022.

On 20 May 2022 the AFA granted prior authorisation to increase the share capital of Andbank Mònaco, SAM., by an amount of Euros 5,586 thousand, subsequent to authorisation from the Monaco Financial Activities Supervisory Commission (Commission de Contrôle des Activités Financières) on 8 April 2022. The share capital was increased on 2 December 2022 and duly published in the Official Gazette of Monaco on 16 December 2022, with the nominal value of the subsidiary's shares rising from Euros 100 to Euros 128.

On 14 November 2022 the AFA granted prior authorisation to reduce the share capital of the subsidiary Andbank Luxembourg, SA by Euros 9,207 thousand, for the purpose of offsetting prior years' losses, subsequent to authorisation and no opposition from the Luxembourg Financial Sector Surveillance Commission (Commission de Surveillance du Secteur Financier).

▪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 2022 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 Group has a residual DVA/CVA as all the derivatives are collateralised or are secured by guarantees, as our potential exposure with each counterparty is collateralised or a guarantee is required to cover this counterparty risk.

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 the market rates 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 deriving 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 Parent 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, moreover, 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 2022 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 (Euros 0.9 million at 31 December 2021), 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 distribution of the Parent's profit for 2022, that the board of directors will present to the shareholders for their approval, is as follows:

Thousands of Euros	2022
Legal reserve	920
Voluntary reserves	7,088
Dividends	5,000
	13,008

Application of the Parent's losses for the year ended 31 December 2021, approved by the shareholders at their general meeting on 27 April 2022, consisted of transferring losses of Euros 4,649 thousand to Other reserves - Prior years' losses

.

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 2022 are as follows:

Thousands of Euros	31/12/22	31/12/21
Cash on hand	19,024	17,642
Cash balances at central banks	106,445	779,664
Other demand deposits	416,230	282,092
	541,699	**1,079,398**

6. Financial assets and liabilities held for trading

Details of these line items of the consolidated statement of financial position at 31 December 2022 and 31 December 2021 are as follows:

Thousands of Euros	31/12/22	31/12/21
Financial assets held for trading		
Derivatives	169,897	119,575
Equity instruments	239	778
Debt securities	219,206	101,565
	389,342	**221,918**

Thousands of Euros	31/12/22	31/12/21
Financial liabilities held for trading		
Derivatives	91,691	57,847
Deposits	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
	91,691	**57,847**

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:

	31/12/22	31/12/21
	Carrying amount	Carrying amount
Derivatives	169,897	119,575
Equity instruments	239	778
Of which: at cost	-	-
Of which: credit institutions	-	-
Of which: other financial corporations	-	-
Of which: non-financial corporations	239	778
Debt securities	219,206	101,565
Central banks	-	-
General governments	20,105	16,227
Credit institutions	143,884	17,354
Other financial corporations	55,190	13,550
Non-financial corporations	27	54,434
	389,342	**221,918**

Thousands of Euros

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:

	31/12/2022		31/12/2021	
	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	-	169,897	-	119,575
Equity instruments	-	239	-	778
Debt securities	9,667	209,539	-	101,565
Loans and advances	-	-	-	-
	9,667	**379,675**	**-**	**221,918**

Thousands of Euros

▪b. 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 2022 and 31 December 2021, is as follows:

Thousands of Euros

At 31 December 2022	Financial assets held for trading	Financial liabilities held for trading	Notional amount
Interest rate	93,539	21,449	1,691,455
Of which: economic hedges	93,539	21,449	1,691,455
OTC other	93,539	21,449	1,691,455
Equity risk	28,379	28,378	153,825
Of which: economic hedges	28,379	28,378	153,825
OTC other	28,379	28,378	153,825
Foreign exchange and gold	15,055	7,418	733,753
Of which: economic hedges	15,055	7,418	733,753
OTC other	15,055	7,418	733,753
Credit	32,866	34,287	1,509,531
Of which: economic hedges	32,866	34,287	1,509,531
Credit default swap	32,866	34,287	1,509,531
Other	58	159	6,479
Of which: Economic hedges	58	159	6,479
Derivatives	**169,897**	**91,692**	**4,095,043**
Of which: OTC - Credit institutions	49,830	71,779	2,420,503
Of which: OTC - Other financial corporations	120,067	19,433	1,608,022
Of which: OTC - Other	-	479	66,518
	169,897	**91,691**	**4,095,043**

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 other	63,518	5,000	567,181
Equity risk	18,061	16,123	175,880
Of which: economic hedges	18,061	16,123	175,880
OTC other	18,061	16,123	175,880
Foreign exchange and gold	4,768	5,656	732,128
Of which: economic hedges	4,768	5,656	732,128
OTC other	4,768	5,656	732,128
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
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
	119,575	**57,847**	**2,742,115**

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 2022 and 31 December 2021 are as follows:

		Thousands of Euros
	31/12/22	**31/12/21**
Equity instruments	8,399	9,275
Debt securities	-	-
Loans and advances	-	-
	8,399	**9,275**

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 2022 and 31 December 2021 are as follows:

		Thousands of Euros
	31/12/22	**31/12/21**
Equity instruments	-	-
Debt securities	11,802	13,333
Loans and advances	-	-
	11,802	**13,333**

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 2022 and 31 December 2021 are as follows:

		Thousands of Euros
	31/12/22	**31/12/21**
Equity instruments	7,064	8,750
Debt securities	225,640	321,967
Loans and advances	-	-
	232,704	**330,717**

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 2022 and 31 December 2021 are as follows:

		Thousands of Euros
	31/12/22	**31/12/21**
Equity instruments		
Credit institutions	-	-
Non-financial corporations	7,064	8,750
Other financial corporations	-	-
	7,064	**8,750**

Debt securities		
Central banks	-	-
General governments	63,565	133,770
Credit institutions	113,050	135,095
Other financial corporations	41,119	10,678
Non-financial corporations	7,906	42,424
	225,640	**321,967**

▪a. Reclassification of financial assets between categories

The strategic initiatives designed by the Bank are based on growth in the portfolio of investments and AUMs, and on improving the corporate reorganisation, thus enabling recurring profits to be optimised and synergies to be generated within the Group.

As a result of the design of this future strategy for the banking activity, and in order to maintain solvency and reduce volatility in own funds, Andbank has decided to limit use of the portfolio at fair value through other comprehensive income, denominated in USD, to bonds with a maximum residual maturity of three years. Since this decision was made, none of Andbank's investments in these types of securities will be able to be managed under a business model the main objective of which is to continue to hold assets to obtain contractual cash flows and the sale thereof.

Andbank considers that the best option to recover the investment held in this portfolio is to manage it under a model that holds assets to obtain contractual cash flows.

Based on the above, Andbank has considered that a change in business model has taken place that affects all the securities that do not meet the characteristics required to be kept in portfolios carried at fair value through other comprehensive income, and therefore they must be subject to transfer to portfolios carried at amortised cost. As set out in paragraph B4.4.1 of the IFRS 9 application guide, this change is possible and entails the reclassification of these assets as they do not meet the new conditions of the business model.

On 1 April 2022, in accordance with IFRS 9, the portfolio subject to transfer, with a carrying amount of Euros 102,110 thousand upon reclassification, was recognised at amortised cost, as it had always been recognised. Therefore, the fair value of the portfolio subject to transfer at that date (Euros 92,000 thousand) has been adjusted for the accumulated profit or loss from this portfolio recognised in equity plus, where applicable, the amounts recognised as deferred tax assets or liabilities. Consequently, there has been no impact on profit or loss.

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 2022 and 2021 are as follows:

		Gross carrying amount	
31 December 2022	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	**680,463**	**680,463**	**-**
Central banks	-	-	-
General governments	194,263	194,263	-
Credit institutions	277,870	277,870	-
Other financial corporations	133,990	133,990	-
Non-financial corporations	74,340	74,340	-
Deposits in central banks and credit institutions	**1,411,051**	**1,411,051**	**-**
Central banks	1,029,800	1,029,800	-
Credit institutions	381,251	381,251	-
Loans and advances	**2,940,509**	**2,750,183**	**178,885**
General governments	13,213	13,279	-
Credit institutions	58	58	-
Other financial corporations	84,141	80,927	-
Non-financial corporations	1,164,645	1,044,221	113,635
Households	1,678,452	1,611,698	65,250
Financial assets at amortised cost	**5,032,023**	**4,841,697**	**178,885**

				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)
	-	**-**	**-**	**-**
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	**-**	**-**	**-**
	-	-	-	-
	-	-	-	-
	48,181	**(2,279)**	**(18,974)**	**(15.487)**
	-	(66)	-	-
	-	-	-	-
	3,544	(325)	-	(5)
	30,585	(936)	(12,274)	(10,586)
	14,052	(952)	(6,700)	(4,896)
	48,181	**(2,279)**	**(18,974)**	**(15,487)**

31 December 2021	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	**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**

At 31 December 2022 assets classified as doubtful amount to Euros 48,181 thousand (Euros 49,245 thousand at 31 December 2021).

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

▪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 2022 and 31 December 2021 are as follows:

31 December 2022	Totals	Central banks
On demand and short notice (current account)	26,238	-
Credit card debt	6,487	-
Trade receivables	2,425	
Finance leases	-	-
Reverse repurchase loans	-	-
Other term loans	2,905,359	-
Advances that are not loans	-	-
Loans and advances	**2,940,509**	**-**

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**	**-**

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.

Thousands of Euros

Net carrying amount				
General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households
	-	3,929	17,544	4,765
-	36	31	792	5,628
-	9	231	2,080	105
-	-	-	-	-
-	-	-	-	-
13,212	13	79,950	1,144,229	1,667,955
-	-	-	-	-
13,212	**58**	**84,141**	**1,164,645**	**1,678,453**

Thousands of Euros

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

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 2022 and 2021, are as follows:

Thousands of Euros

31 December 2022	Gross carrying amount	% coverage ≤ 40% or without guarantee	> 40% & ≤ 60%	> 60% i ≤ 80%	> 80% & ≤ 100%	> 100%
Deposits in central banks and credit institutions	**1,411,051**	**1,060,162**	**-**	**-**	**350,889**	**-**
Central banks	1,029,800	1,029,800	-	-	-	-
Credit institutions	381,251	30,362	-	-	350,889	-
Loans and advances	**2,977,249**	**174,685**	**25,341**	**18,962**	**242,305**	**2,515,956**
Operations collateralised by immovable property	1,491,687	6,073	3,040	10,398	122,247	1,349,929
Operations collateralised by debt securities/ instruments	1,246,442	1,620	21,746	8,477	86,440	1,128,159
Operations collateralised by monetary assets	81,440	9,312	555	87	33,618	37,868
Operations with no guarantee and/or personal collateral	157,680	157,680	-	-	-	-
Financial assets at amortised cost	**4,388,300**	**1,234,847**	**25,341**	**18,962**	**593,194**	**2,515,956**

31 December 2021	Gross carrying amount	% coverage ≤ 40% or without guarantee	> 40% & ≤ 60%	> 60% i ≤ 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**

At 31 December 2022, 71% of loans and advances and deposits in credit institutions have coverage of more than 80%, whilst at 31 December 2021, 94% of loans and advances have coverage of more than 80%.

At 31 December 2022, 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 7.14 million (included in the Euros 157.7 million of transactions with third party guarantees).

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	**31/12/22**	**31/12/21**
Assets	**5,551**	**5,686**
Derivatives - hedge accounting	19,180	2,955
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(13,629)	2,731
Liabilities	**1,032**	**4,928**
Derivatives - hedge accounting	1,032	4,757
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	171

At 31 December 2022 the Group's main hedged positions and the derivatives designated to hedge those positions correspond to covered bonds from the financial assets at amortised cost portfolio and at fixed interest rates, using interest rate derivatives.

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 2022 and 2021, distinguishing between risk category for each kind of hedge, are as follows:

				Thousands of Euros
	Carrying amount		**Notional amount**	
31 December 2022	Assets	Liabilities	Total hedges	Of which: sold
Fair value hedges	**13,804**	**1,032**	**204,111**	**-**
Interest rate	13,804	1,032	204,111	-
Otc options	-	-	-	-
Otc other	13,804	1,032	204,111	-
Organised market options	-	-	-	-
Organised market other	-	-	-	-
Foreign exchange and gold	-	-	-	-
Otc options	-	-	-	-
Otc other	-	-	-	-
Organised market options	-	-	-	-
Organised market other	-	-	-	-
Credit	-	-	-	-
Credit default swap	-	-	-	-
Credit spread options	-	-	-	-
Total return swaps	-	-	-	-
Other	-	-	-	-
Commodity	-	-	-	-
Other	-	-	-	-
Cash flow hedges	**5,376**	**-**	**257,563**	**-**
Total derivatives - hedge accounting	**19,180**	**1,032**	**461,674**	**-**
Of which: otc - credit institutions	19,180	1,032	461,674	-
Of which: otc - other financial corporations	-	-	-	-
Of which: otc - other	-	-	-	-

31 December 2021	Carrying amount		Notional amount	
	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	-

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 2022 and 2021 in the accompanying consolidated statements of financial position are as follows:

Thousands of Euros

2022				
Company name	Investment	Impairment	Cost	Total
Medipatrimonia Invest, SL	51.00%	-	2,437	2,437
Sigma M. Partners, LTD	49.80%	-	791	791
Other companies	100.00%	-	61	61
		-	**3,289**	**3,289**

2021				
Company name	Investment	Impairment	Cost	Total
Medipatrimonia Invest, SL	51.00%	-	2,233	2,233
Sigma M. Partners, LTD	49.80%	-	857	857
Other companies	100.00%	-	48	48
		-	**3,138**	**3,138**

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 2022 and 2021 is as follows:

Thousands of Euros

	31/12/22	**31/12/21**
Tangible assets		
Property, plant and equipment	104,837	114,823
Property, plant and equipment for own use	21,940	22,169
Rights-of-use	82,897	92,654
Investment property	13,632	16,728
	118,469	**131,551**

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:

	31/12/21	Additions	Disposals
Cost			
For operating activities			
Land	-	-	-
Buildings	4,866	407	-
Furniture	9,887	-	-
Installations	25,498	2,569	(1,314)
It equipment	34,826	2,031	(173)
Vehicles	1,186	118	-
Under construction	892	-	-
Rights-of-use	121,389	4,623	(5,974)
Subtotal	**198,544**	**9,748**	**(7,461)**
For non-operating activities			
Land	-	-	-
Buildings	1,135	-	-
Installations	886	-	-
It equipment	104	-	-
Furniture	36	-	-
Vehicles	402	-	-
Investment property	17,113	2,365	(7,270)
Subtotal	**19,676**	**2,365**	**(7,270)**
Accumulated depreciation			
For operating activities			
Buildings	(3,891)	(130)	-
Furniture	(8,370)	(123)	-
Installations	(16,253)	(2,273)	906
It equipment	(26,498)	(1,463)	154
Vehicles	(705)	(238)	-
Rights-of-use	(28,736)	(13,182)	5,103
Subtotal	**(84,453)**	**(17,409)**	**6,163**
For non-operating activities			
Buildings	(394)	(47)	-
Fixtures	(899)	(1)	-
IT equipment	(103)	-	-
Furniture	(33)	-	-
Operating leases	(402)	-	-
Investment property	(385)	(80)	301
Subtotal	**(2,216)**	**(128)**	**301**
Net balance	**131,551**	**(5,424)**	**(8,267)**

Thousands of Euros

Transfers to/from non-current assets held for sale	Other transfers	Exchange gains/losses	Other movements	31/12/2022
-	-	-	-	-
-	-	-	-	5,273
-	-	-	-	9,887
(1,115)	3,302	-	-	28,940
(105)	679	-	-	37,258
-	-	-	-	1,304
-	-	-	-	892
(968)	3,347	-	-	122,417
(2,188)	**7,328**	**-**	**-**	**205,971**
-	-	-	-	-
-	-	-	-	1,135
-	-	-	-	886
-	-	-	-	104
-	-	-	-	36
-	-	-	-	402
1,588	-	-	-	13,796
1,588	**-**	**-**	**-**	**16,359**
-	-	-	-	(4,021)
-	-	-	-	(8,493)
557	(3,302)	-	-	(20,365)
10	(679)	-	-	(28,476)
-	-	-	-	(943)
642	(3,347)	-	-	(39,520)
1,209	**(7,328)**	**-**	**-**	**(101,818)**
-	-	-	-	(441)
-	-	-	-	(900)
-	-	-	-	(103)
-	-	-	-	(33)
-	-	-	-	(402)
-	-	-	-	(164)
-	**-**	**-**	**-**	**(2,043)**
609	**-**	**-**	**-**	**118,469**

	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)	-
Fixtures	(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)**

At 31 December 2022 these include fully depreciated tangible assets amounting to Euros 46,817 thousand.

Thousands of Euros

Transfers to/from non-current assets held 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**

During 2022 and 2021 no interest or exchange differences corresponding to fixed assets have been capitalised.

At 31 December 2022 all these items remain under ownership of the Bank and are used for its activity.

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 2022 it has not been necessary to revalue the carrying amount of buildings used in operations.

▪b. Investment property

Tangible assets include an amount of Euros 13,632 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 2022.

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
	31/12/21	Additions	Exchange gains/losses	Transfers	31/12/22
Cost	160,899	-	3,097	(18,321)	145,675
Accumulated impairment	(13,007)	-	-	-	(13,007)
	147,892	**-**	**3,097**	**(18,321)**	**132,668**

					Thousands of Euros
	31/12/20	Additions	Exchange gains/losses	Transfers	31/12/21
Cost	158,307	-	2,592	-	160,899
Accumulated impairment	-	(13,007)	-	-	(13,007)
	158,307	**(13,007)**	**2,592**	**-**	**147,892**

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

		Thousands of Euros
	2022	**2021**
Andbank España Banca Privada S.A.U. (formerly WealthPrivat Bank S.A.U.)	96,318	96,318
Andbank Monaco S.A.M.	11,347	11,347
Andbank Wealth Management LLC	1,909	1,800
Banco Andbank (Brasil), S.A.	-	16,380
Andbank Corretora de Seguros de Vida Ltda	609	545
Columbus de México, SA de CV	4,268	3,721
Quest Capital Advisers Agente de Valores, SA	10,715	9,766
Sigma Investment House Ltd.	7,502	8,015
Total Goodwill	**132,668**	**147,892**

No increase in goodwill due to acquisitions has arisen in 2022 and 2021.

As mentioned in note 3 a), Andbank signed an agreement with Creditas Financial Holding for the sale of the investee Banco Andbank (Brasil) and its subsidiaries. Therefore, during 2022 goodwill recognised by Banco Andbank (Brasil), S.A. as a result of this agreement has been reclassified as Non-current assets and disposal groups classified as held for sale (note 17 b) - Non-current assets and disposal groups classified as held for sale).

The value of the goodwill associated with Andbank Brasil amounts to Euros 18,321 thousand at 31 December 2022. Given the sale and purchase agreement signed with Creditas Financial Holding, the Group uses the value of this transaction to measure the recoverable amount of this asset and does not identify any impairment associated therewith.

▪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 dividends distributable in a period of five years, 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.

The main assumptions taken into consideration when determining the recoverable amount at 2022 reporting date, of the most significant CGU that have been valued by discounting distributable dividends, are as follows:

2022		
	Ke	G
"Andbank España Banca Privada S.A.U. (formerly WealthPrivat Bank S.A.U.)"	11.50%	3.00%
Andbank Monaco S.A.M.	10.54%	3.00%
Andbank Wealth Management LLC	10.69%	3.70%
Andbank Corretora de Seguros de Vida Ltda	15.02%	5.02%
Columbus de México, SA de CV	14.70%	5.20%
Quest Capital Advisers Agente de Valores, SA	15.80%	6.80%
Sigma Investment House Ltd.	11.05%	5.42%

Sensitivity analysis

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

The sensitivity analysis concludes that all the scenarios defined therein reflect that the carrying amount of the CGU is lower than the recoverable amount.

c. Other intangible assets

A breakdown and movement of items included in Intangible assets during 2022 and 2021 is as follows:

At 31 December 2022	31/12/21	Additions	Disposals
Cost			
IT software and applications	110,961	3,657	(1,659)
Multi-owned assets	834	-	-
Intangible assets in progress	-	-	-
Other	104,131	3,855	(103)
	215,926	**7,512**	**(1,762)**
Accumulated amortisation			
IT software and applications	(63,505)	(9,309)	1,962
Multi-owned assets	(716)	(11)	-
Intangible assets in progress	-	-	-
Other	(26,826)	(3,546)	-
	(91,047)	**(12,866)**	**1,962**
Accumulated impairment	**(1,909)**	**(152)**	**-**
Net balance	**122,970**	**(5,506)**	**200**

At 31 December 2021	31/12/20	Additions	Disposals
Cost			
IT software and applications	101,736	3,853	(617)
Multi-owned assets	834	-	-
Intangible assets in progress	-	-	-
Other	101,737	8,544	(159)
	204,307	**12,397**	**(776)**
Accumulated amortisation			
IT software and applications	(54,523)	(8,564)	1,172
Multi-owned assets	(705)	(11)	-
Intangible assets in progress	-	-	-
Other	(23,658)	(3,198)	30
	(78,886)	**(11,773)**	**1,202**
Accumulated impairment	**(1,863)**	**(55)**	**9**
Net balance	**123,558**	**569**	**435**

At 31 December 2022 these include fully amortised intangible assets amounting to Euros 46,523 thousand.

Others under Intangible assets include computer software under development amounting to Euros 4,853 thousand (Euros 26,525 thousand at 31 December 2021), 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 2022 all these items remain under ownership of the Bank and are used for its activity.

Thousands of Euros

Transfers to/from non-current assets held for sale	Other transfers	Exchange gains/losses	Other movements	31/12/22
(5,893)	23,289	-	-	130,355
-	-	-	-	834
-	-	-	-	-
(5,262)	(20,771)	-	-	81,850
(11,155)	**2,518**	**-**	**-**	213,039
2,575	(516)	-	-	(68,793)
-	-	-	-	(727)
-	-	-	-	-
-	(2,002)	-	-	(32,374)
2,575	**(2,518)**	**-**	**-**	(101,894)
-	**-**	**-**	**-**	**(2,061)**
(8,580)	**-**	**-**	**-**	109,084

Thousands of Euros

Transfers to/from non-current assets held for sale	Other transfers	Exchange gains/losses	Other movements	31/12/21
5,989	-	-	-	110,961
-	-	-	-	834
-	-	-	-	-
(5,989)	-	-	(2)	104,131
-	**-**	**-**	**(2)**	**215,926**
-	-	-	(1,590)	(63,505)
-	-	-	-	(716)
-	-	-	-	-
-	-	-	-	(26,826)
-	**-**	**-**	**(1,590)**	**(91,047)**
-	**-**	**-**	**-**	**(1,909)**
-	**-**	**-**	**(1,592)**	**122,970**

15. Tax assets and liabilities

Details of tax assets and liabilities at 31 December 2022 and 31 December 2021 are as follows:

		Thousands of Euros
	31/12/22	**31/12/21**
Tax assets		
Current tax assets	5,841	4,762
Deferred tax assets	29,004	27,592
	34,845	**32,354**

Tax liabilities		
Current tax liabilities	5,834	5,067
Deferred tax liabilities	9,085	8,429
	14,919	**13,496**

16. Other assets and liabilities

A breakdown of the asset and liability items of the consolidated statement of financial position at 31 December 2022 and 31 December 2021 is as follows:

		Thousands of Euros
	31/12/22	**31/12/21**
Other assets		
Inventories	14	14
Other assets	101,007	92,606
Prepayments and accrued income	39,033	42,218
Operations in progress	7,295	8,196
Other items	54,679	42,192
	101,021	**92,620**

		Thousands of Euros
	31/12/22	**31/12/21**
Other liabilities		
Other liabilities	97,869	83,312
Accrued expenses and deferred income	13,797	15,662
Operations in progress	9,139	11,366
Other items	74,933	56,284
	97,869	**83,312**

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

Details of non-current assets and disposal groups classified as held for sale at 31 December 2022 and 31 December 2021 are as follows:

		Thousands of Euros
	31/12/22	31/12/21
Foreclosed assets	9,588	13,377
Other non-current assets held for sale	200,376	3,234
	209,964	**16,611**

		Thousands of Euros
	31/12/22	31/12/21
Foreclosed liabilities	-	-
Other non-current liabilities held for sale	118,266	1,508
	118,266	**1,508**

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 2022	31/12/21	Additions	Disposals	Transfers to investment property	Revaluation reserves	Other	31/12/22
Cost							
Property, plant and equipment							
From foreclosures	31,732	307	(4,641)	(4,850)	-	-	22,548
Other	-	-	-	-	-	-	-
	31,732	**307**	**(4,641)**	**(4,850)**	**-**	**-**	**22,548**
Impairment losses							
Property, plant and equipment							
From foreclosures	(19,918)	-	2,254	3,262	-	(122)	(14,524)
Other	1,563	-	-	-	-	-	1,563
	(18,355)	**-**	**2,254**	**3,262**	**-**	**(122)**	**(12,961)**
Net balance	**13,377**	**307**	**(2,387)**	**(1,588)**	**-**	**(122)**	**9,587**

							Thousands of Euros
At 31 December 2021	31/12/20	Additions	Disposals	Transfers to investment property	Revaluation reserves	Other	31/12/22
Cost							
Property, plant and equipment							
From foreclosures	40,062	562	(4,617)	(4,312)	37	-	31,732
Other	-	-	-	-	-	-	-
	40,062	**562**	**(4,617)**	**(4,312)**	**37**	**-**	**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**	**(2,683)**	**(4,312)**	**3**	**-**	**13,377**

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
	31/12/22	**31/12/21**
Land	22,826	25,262
Premises	1,117	1,452
Car parks	758	875
Storage rooms	82	80
Housing	2,084	5,797
	26,867	**33,466**

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
	31/12/22	**31/12/21**
Up to 12 months	-	354
From 1 to 2 years	229	51
From 2 to 5 years	4,133	4,825
More than 5 years	5,226	8,147
	9,588	**13,377**

Details, by type of asset, of the profit and loss recognised in 2022 and 2021 due to the sale of non-current assets and disposal groups which have been classified as held for sale are as follows:

	2022		2021	
	Profits	Losses	Profits	Losses
Apartments	419	(24)	596	(133)
Car parks	-	-	67	-
Premises	96	-	-	-
Land	90	-	519	-
Adjustments due to depreciation	-	-	-	(47)
	605	**(24)**	**1,182**	**(180)**

Thousands of Euros

At 31 December 2022 and 2021 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

Other non-current assets held for sale and Other non-current liabilities held for sale for 2022 correspond to the transaction described in note 3 a).

As mentioned in this note, Andbank signed an agreement with Creditas Financial Holding for the sale of the investee Banco Andbank (Brasil), SA and its subsidiaries. The asset and liability balances for the companies for sale have been reclassified to Non-current assets and disposal groups classified as held for sale - Other non-current assets held for sale and Liabilities included in disposal groups classified as held for sale - Other non-current liabilities held for sale in the consolidated statement of financial position at 31 December 2022.

Details of the consolidated assets and liabilities of the Banco Andbank (Brasil), SA, companies for sale at 31 December 2022 are as follows:

Thousands of Euros

ASSETS	31/12/22
Cash, cash balances at central banks and other demand deposits	164
Cash balances at central banks	162
Other demand deposits	2
Financial assets at fair value through other comprehensive income	25,220
Equity instruments	619
Debt securities	24,601
Financial assets at amortised cost	132,063
Debt securities	12,946
Loans and advances	119,117
Derivatives - Hedge accounting	3
Tangible assets	988
Property, plant and equipment	988
Intangible assets	28,551
Goodwill (*)	18,321
Other intangible assets	10,230
Tax assets	5,913
Current tax assets	64
Deferred tax assets	5,850
Other assets	7,473
Total assets	**200,376**

(*) See note 14 a)

Thousands of Euros

LIABILITIES	31/12/22
Financial liabilities measured at amortised cost	108,959
Deposits	108,959
Fair value changes of the hedged items in portfolio with interest rate risk hedge	107
Provisions	1,136
Tax liabilities	422
Current tax liabilities	422
Other liabilities	7,642
Total liabilities	**118,266**

Other non-current assets held for sale and Other non-current liabilities held for sale associated with Banco Andbank (Brasil), S.A. are recognised under Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations - Profit or loss from non-current assets held for sale (note 35) on the consolidated income statements.

The prior year balances of Other non-current assets held for sale correspond to the signing of an agreement during 2021 for the sale of Wealthprivat Asset Management, S.G.I.I.C., S.A.U. (note 3 (a)).

In 2021, as a result of this agreement, the assets and liabilities of Wealthprivat Asset Management S.G.I.I.C., S.A. were reclassified to the consolidated statements of financial position under assets as Non-current assets and disposal groups classified as held for sale for an amount of Euros 3,234 thousand and under liabilities as Liabilities included in disposal groups classified as held for sale - Other non-current liabilities held for sale, for an amount of Euros 1,508 thousand. The sale was definitively carried out in 2022.

18. Financial liabilities measured at amortised cost

Details of this line item of the statement of financial position at 31 December 2022 and 31 December 2021 are as follows:

		Thousands of Euros
	31/12/22	**31/12/21**
Deposits	5,436,982	4,477,896
Central banks	179,072	180,832
Credit institutions	427,721	444,021
Other creditors	4,830,189	3,853,043
Debt securities issued	443,133	343,845
Other financial liabilities	102,670	143,747
	5,982,785	**4,965,488**

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:

	31/12/22	31/12/21
		Thousands of Euros
Central banks	**179,072**	**180,832**
Current accounts/overnight deposits	28,422	16,582
Deposits with agreed maturity	150,650	164,250
Deposits redeemable at notice	-	-
Repurchase agreements	-	-
Credit institutions	**427,721**	**444,021**
Current accounts/overnight deposits	8,739	37,252
Deposits with agreed maturity	37,035	25,489
Deposits redeemable at notice	-	-
Repurchase agreements	381,947	381,280
Other creditors	**4,830,189**	**3,853,043**
Current accounts/overnight deposits	4,322,468	3,649,269
Deposits with agreed maturity	507,721	203,774
Deposits redeemable at notice	-	-
Repurchase agreements	-	-
	5,436,982	**4,477,896**

▪b. Debt securities

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

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 2022 the debt issues (Euros 15,544 thousand in 2021) made by the Bank in 2015 were redeemed.

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 2022 and 2021:

31 December 2020	Up to 1 month	From 1 to 3 months
Debt securities issued in 2016	-	-
Debt securities issued in 2017	-	-
Debt securities issued in 2022	86,322	37,022
	86,322	**37,022**

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**

During 2022 an issue matured that had been made by Andorra Capital Agrícol Reig, BV through its covered bond issue programme and which was listed on the Global Exchange Market of the Irish Stock Exchange, for an amount of Euros 135 million, falling due in five years.

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
	31/12/22	**31/12/21**
Lease liabilities	90,042	97,102
Bonds payable	6,022	15,399
Guarantees received	182	418
Clearing houses	4,823	30,225
Other items	1,601	603
	102,670	**143,747**

Thousands of Euros

	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
	-	-	25,000	-	25,000
	-	-	39,082	-	39,082
	158,484	85,017	12,055	-	378,900
	158,484	**85,017**	**76,137**	**-**	**442,982**

	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**

Details of maturity dates of lease liabilities maturing after 31 December 2022 and 2021 are as follows:

31/12/22	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Maturities of lease liabilities	10,360	13,565	11,995	54,122	90,042

31/12/21	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

19. Provisions

A breakdown of this line item of the statement of financial position at 31 December 2022 and 2021 is as follows:

Thousands of Euros	31/12/22	31/12/21
Pensions and other benefit obligations and other long-term employee benefits	3,962	3,811
Other long-term employee benefits	-	-
Pending legal issues and tax litigation	292	4,667
Commitments and guarantees given	383	372
Other provisions	12,887	17,472
	17,524	**26,322**

Movement by type of provision during 2022 and 2021 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 2022	**3,811**	**4,667**	**372**	**17,472**	**26,322**
Net provisions	676	(1,512)	8	685	(143)
Amounts used	(525)	(2,863)	-	(6,769)	(10,157)
Other movements	-	-	3	1,499	1,502
Balance at 31 December 2022	**3,962**	**292**	**383**	**12,887**	**17,524**

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**

▪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 2022 for retired personnel and early retirees are as follows:

	Jubilats	Prejubilats
Mortality tables	PER 2020	PER 2020
Nominal discount rate	3.38%	0.46%
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 2022 and 2021 have been recognised against the 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 2022 balances managed off the balance sheet amounted to Euros 382 thousand (Euros 431 thousand at 31 December 2021), whilst internal funds recognised under Provisions amount to Euros 3,063 thousand at 31 December 2022 (Euros 2,725 thousand at 31 December 2021).

▪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 included 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 entities in the Andbank Group in Spain, applied during 2022.

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 2022 and 2021 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 was used to increase share capital and Euros 30,401 thousand for share premium.

At 31 December 2022 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 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 2022 and 2021 are as follows:

Thousands of Euros	31/12/22	31/12/21
Share premium	103,842	103,842
Retained earnings	455,467	461,559
Legal reserve	15,768	15,768
Guarantee reserves	27,026	27,026
Statutory reserves	-	-
Voluntary reserves	410,366	416,458
Own share reserves	2,307	2,307
	559,309	**565,401**

- **Share premium**

At 31 December 2022 the balance of this line item of the statement of financial position amounted to Euros 103,842 thousand (Euros 103,842 thousand at 2021).

- **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 2022 and 2021 Guarantee reserves totalled Euros 27,026 thousand.

- **Voluntary reserves**

Voluntary reserves include an amount of Euros 132,855 thousand for differences on first-time consolidation that are restricted.

- **Consolidation reserves**

At 31 December 2022 and 2021 consolidation reserves correspond to the following companies:

Thousands of Euros	31/12/22	31/12/21
Andorra Gestió Agrícol Reig, SA	1,717	2,159
Andorra Assegurances Agrícol Reig, SA	532	583
Zumzeiga, BV Group	161	1,892
Egregia, BV Group	651	-
Andbank Bahamas (Limited)	-	(83)
Andbank Luxembourg Group	18,192	14,082
Andbank España Banca Privada Group (formerly WealthPrivat Bank)	41,888	31,317
MyInvestor Banco Group (formerly Andbank España)	16,669	-
Quest Wealth Advisers, Inc (Panama)	3,174	3,669
APW Consultores Financeiros Ltda	(751)	26
Andbank Monaco, SAM	5,730	3,302
Banco Andbank (Brasil) SA	447	2,057
Sigma Investment House Group	71	(726)
Andbank Corretora de Seguros de Vida Ltda. Group	(52)	(209)
Other	2,397	1,161
Consolidation adjustments	10,774	-
	101,600	**59,230**

Movement in consolidation reserves in 2022 and 2021 is as follows:

	Thousands of Euros
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**
Distribution of 2021 profit to reserves	21,181
Other consolidation adjustments	21,189
Balance at 31 December 2022	**101,600**

▪ **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 2022 and 2021 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 2022 the Andbank Group repurchased an amount of Euros 750 thousand (Euros 100 thousand in 2021), with the sum issued at 31 December 2022 totalling Euros 33,950 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 5.046%.

▪**c. Profits/losses attributable to the Andbank Group**

Details of profits/losses contributed by each of the companies comprising the Andbank Group during 2022 and 2021 are as follows:

	Thousands of Euros	
	31/12/22	**31/12/21**
Andorra Banc Agrícol Reig, SA	**8,350**	**(7,403)**
Fully consolidated companies:	**21,774**	**21,426**
Andorra Gestió Agrícol Reig, SA	2,285	1,695
Andbank Bahamas (Limited)	-	(60)
Zumzeiga B.V. Group	1,003	1,927
Columbus de México, SA, CV	473	567
Quest Capital Advisers	375	516
Andbanc Wealth Management LLC Group	922	1,291
Consolidation adjustments Zumzeiga Group	(767)	(447)
Grup Egregia B.V.	(481)	651
And Private Wealth, SA	(425)	651
Consolidation adjustments Egregia Group	(56)	-
Andbank Luxembourg Group	4,026	3,018
Andbank (Luxembourg) SA	2,210	1,486
Andbank Asset Management Luxembourg, SA	(422)	2,280
Consolidation adjustments Andbank Lux Group	2,238	(748)
Andbank España Banca Privada Group (formerly Wealthprivat Bank)	16,898	19,946
Andbank España Banca Privada, SAU (formerly WealthPrivat Bank, SAU)	14,249	1,281
Andbank Wealth Management,SGIIC, SAU	2,343	5,004
Medipatrimonia Invest, SL	204	376
APC Servicios Administrativos, SLU	28	28
Andbank correduria de Seguros, SLU	(7)	(1)
WealthPrivate Bank, S.A.U	-	(7,236)
WealthPrivat Corporate Finance, SAU	(130)	-
Merchbanc, EGPF, SA	266	289
Merchbanc, Internacional SARL	19	(54)
Consolidation adjustments Andbank España Group	(74)	20,259
MyInvestor (formerly Andbank España Group)	(1,173)	(6,431)
MyInvestor Banco, SAU (anteriorment Andbank España, SAU)	(759)	-
MyInvestor, SA	(1,175)	(6,431)
Consolidation adjustments MyInvestor Group	761	-
Quest Wealth Advisers, Inc (Panama)	(422)	(556)
APW Consultores Financeiros Ltda.	(152)	113
Andbank Monaco, SAM	2,210	1,099
Banco Andbank Brasil Ltda.	(2,334)	(1,610)
Andorra Assegurances Agrícol Reig, SA	32	75
Other	(118)	1,559
	30,123	**14,023**

21. Accumulated other comprehensive income - Equity

Details of accumulated other comprehensive income during 2022 and 2021 by type of instrument are as follows:

		Thousands of Euros
	31/12/22	**31/12/21**
Items that will not be reclassified to profit or loss	**(58)**	**(17)**
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	(58)	(17)
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	**(48,898)**	**(44,712)**
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	(33,718)	(39,836)
Hedging derivatives Cash flow hedges (effective portion)	2,085	(755)
Fair value changes of debt instruments measured at fair value through other comprehensive income	(17,265)	(4,121)
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	-	-
	(48,956)	**(44,729)**
Income tax relating to items that will not be reclassified to profit or loss	6	1
Income tax relating to items that may be reclassified to profit or loss	4,889	4,471
	(44,061)	**(40,257)**

The statement of recognised income and expenses for 2022 and 2021, 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 2022 and 31 December 2021 is as follows:

Thousands of Euros	31/12/22	31/12/21
Loan commitments given	**900,400**	**510,170**
Of which: Non-performing:	159	2,188
Central banks	-	-
General governments	26,038	27,641
Credit institutions	22	-
Other financial corporations	39,026	37,868
Non-financial corporations	628,829	302,079
Households	206,485	142,582
Financial guarantees given	**116,430**	**93,955**
Of which: Non-performing:	17	-
Central banks	-	-
General governments	71	71
Credit institutions	960	4,782
Other financial corporations	447	1,645
Non-financial corporations	80,738	63,835
Households	34,214	23,622
Other commitments given	**10,446**	**10,102**
Of which: Non-performing:	-	-
Central banks	-	-
General governments	-	-
Credit institutions	603	819
Other financial corporations	4,703	4,554
Non-financial corporations	4,338	3,993
Households	802	736

Thousands of Euros	31/12/22	31/12/21
	Maximum amount of guarantee	Maximum amount of guarantee
Financial guarantees received		
Central banks	-	-
General governments	2,775	14,860
Credit institutions	7,836	7,743
Financial corporations	13,301	3,963
Other non-financial companies	285,907	215,017
Households	336,929	153,892
	646,748	**395,474**

23. Third party transactions

A breakdown of the most significant accounts included in this line item at 31 December 2022 and 2021 is as follows:

Thousands of Euros	31/12/22	31/12/21
Shares and other variable-income securities	3,520,985	3,460,865
Bonds and other fixed-income securities	2,931,579	2,246,000
Units in investment funds not managed by the Group	9,979,774	9,589,345
Units in investment funds managed by the Group	84,998	92,434
Other	7,679	8,843
	16,525,015	**15,397,487**

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 2022 and 2021 are as follows:

Thousands of Euros	31/12/2022			31/12/2021		
	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	2,140,529	1,596,577	3,737,106	2,179,150	1,490,218	3,669,368
Individual customer portfolio managed discretionally	2,559,328	7,193,874	9,753,202	2,193,058	7,462,037	9,655,095
Other individual customers	16,719,871	755,180	17,475,051	16,010,539	639,917	16,650,456
Customers advised	-	275,585	275,585	-	273,020	273,020
	21,419,728	**9,821,216**	**31,240,944**	**20,382,747**	**9,865,192**	**30,247,939**

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 2022 and 31 December 2021 are as follows:

Thousands of Euros	31/12/22	31/12/21
Financial assets held for trading	2,516	2,504
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	334	186
Financial assets at fair value through other comprehensive income	3,085	4,275
Financial assets at amortised cost	63,745	39,818
Of which: Debt securities	9,293	6,859
Of which: Loans and advances	54,452	32,959
Derivatives - Hedge accounting, interest rate risk	-	-
Other assets	3	-
	69,683	**46,783**

▪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 2022 and 31 December 2021 are as follows:

		Thousands of Euros
	31/12/22	31/12/21
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	25,847	14,244
Of which: deposits	18,531	10,723
Of which: Debt securities issued	7,316	3,521
Other liabilities	861	1,499
Interest expense on assets	-	-
Derivatives - hedge accounting, interest rate risk	296	413
	27,004	**16,156**

25. Dividend income

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

		Thousands of Euros
	31/12/22	31/12/21
Dividend income		
Non-trading financial assets mandatorily at fair value through profit or loss	104	-
Financial assets at fair value through other comprehensive income	208	192
	312	**192**

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 2022 and 31 December 2021 is as follows:

		Thousands of Euros
	31/12/22	**31/12/21**
Fee and commission income		
Fees and commission on services	7,915	9,148
Income from services	12,805	12,124
Fees and commission on giros	1,273	1,400
Fees and commission on safe deposit rental	201	237
Fees and commission on credit cards	2,331	1,828
Fees and commission on account maintenance	5,134	5,775
Other	3,866	2,884
Surety bonds	689	558
Fees and commission on transferable securities	192,712	201,393
Stock exchange transactions on behalf of customers	60,303	67,527
Securities depositary management	20,721	21,834
Financial transactions	111,688	112,032
	214,121	**223,223**

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 2022 and 31 December 2021 is as follows:

		Thousands of Euros
	31/12/22	**31/12/21**
Fee and commission expenses		
Securities deposits	842	819
Fees and commission on credit cards	1,449	1,459
Swift expenses	184	235
Representation expenses	69,398	70,904
Other	9,055	8,232
	80,928	**81,649**

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 2022 and 31 December 2021 are as follows:

		Thousands of Euros
	31/12/22	**31/12/21**
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	1,233	2,669
Financial assets at fair value through other comprehensive income	1,376	2,592
Financial assets at amortised cost	(143)	77
Financial liabilities measured at amortised cost	-	-
Other	-	-
Gains or losses on financial assets and liabilities held for trading, net	39,617	38,375
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(19)	(24)
Gains or losses on financial assets designated at fair value through profit or loss, net	(1,462)	(354)
Gains or losses from hedge accounting, net	(1,932)	(378)
	37,437	**40,288**

Details of Gains or losses on financial assets and financial liabilities held for trading, net at 31 December 2022 and 31 December 2021, are as follows:

		Thousands of Euros
	31/12/22	**31/12/21**
Gains or losses on financial assets and liabilities held for trading, net		
Derivatives	34,140	10,385
Equity instruments	283	429
Debt securities	5,194	27,561
	39,617	**38,375**

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 2022, excluding those corresponding to the portfolio of financial assets and financial liabilities at fair value through profit or loss, amount to Euros 8,814 thousand (Euros 4,834 thousand at 31 December 2021).

30. Other operating income/expenses

A breakdown of the balance of this line item of the consolidated income statement at 31 December 2022 and 31 December 2021 is as follows:

Thousands of Euros

	31/12/22		31/12/21	
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	56	-	64	-
Operating leases other than investment property	729	-	726	-
Other	10,153	(7,691)	9,492	(10,612)
	10,938	**(7,691)**	**10,282**	**(10,612)**

31. Administrative expenses

a. Staff expenses

A breakdown of the amounts included under this line item in the consolidated income statement for 2022 and 2021 is as follows:

Thousands of Euros

Staff expenses	**31/12/22**	**31/12/21**
Salaries and bonuses to current employees	89,045	82,779
Social Security contributions	15,952	14,861
Other salary commitments	1,068	805
Severance payments	1,043	1,076
Other staff expenses	5,340	5,065
	112,448	**104,586**

b. Other administrative expenses

A breakdown of this line item of the consolidated income statement at 31 December 2022 and 2021 is as follows:

Thousands of Euros

Other administrative expenses	**31/12/22**	**31/12/21**
Furniture, fittings and materials	2,703	2,205
Utilities	982	870
IT and communications	23,500	21,870
Publicity and advertising	4,522	3,325
Security and fund courier services	315	318
Insurance and self-insurance premiums	1,009	1,081
Independent professional services	12,471	11,382
Repairs and maintenance	1,537	1,354
Administration	5,952	5,660
Other	3,208	2,925
	56,199	**50,990**

32. Provisions or reversals of provisions

At 31 December 2022 and 31 December 2021 net charges to this line item of the consolidated income statement are as follows:

		Thousands of Euros
	31/12/22	**31/12/21**
Provisions or reversals of provisions		
Pensions and other post employment defined benefit obligations and other long-term employee benefits	(676)	(220)
Pending legal issues and tax litigation	1,512	(3,075)
Commitments and guarantees given	(8)	(6)
Other provisions	(685)	(13,617)
	143	**(16,918)**

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 2022 and 31 December 2021 are as follows:

			Thousands of Euros
31 December 2022	Gains	(Losses)	Total net of gains and losses
Financial assets carried at cost	-	-	-
Financial assets at fair value through other comprehensive income	-	(301)	(301)
Financial assets at amortised cost	8,696	(7,137)	1,558
	8,696	**(7,438)**	**1,257**

			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**

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

At 31 December 2022 and 2021 the Andbank Group presents the following balance classified as impairment or reversal of impairment on non-financial assets:

		Thousands of Euros
	31/12/22	**31/12/21**
Impairment or reversal of impairment on non-financial assets		
Property, plant and equipment	9	(628)
Goodwill (note 14a))	-	(13,007)
Intangible assets	(130)	(1,735)
Other assets	(160)	(305)
	(281)	**(15,675)**

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 2022 and 31 December 2021 are as follows:

		Thousands of Euros
	31/12/22	**31/12/21**
Net gains on sale of buildings	581	1,176
Gains (losses) on non-current assets held for sale	(894)	(173)
Gains (losses) on sale of investments classified as non-current assets held for sale	-	-
Gains on sale of other equity instruments classified as non-current assets held for sale	-	(197)
	(313)	**806**

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 2022 and 2021 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 2022 and 2021 are as follows:

		Thousands of Euros
	Outstanding balances	
2022	Key management personnel of the Bank or its Parent	Other related parties
Selection of financial assets	**3,147**	**65,617**
Equity instruments	-	-
Debt securities	-	-
Loans and advances	3,147	65,617
Of which: financial assets subject to impairment	-	-
Selection of financial liabilities	**3,917**	**20,009**
Deposits	3,917	20,009
Debt securities issued	-	-
Nominal amount of loan, financial guarantee and other commitments given	**36**	**8,389**
Notional amount of derivatives	**-**	**-**
Income statement	**(3)**	**993**
Finance income	7	839
Finance costs	(19)	(3)
Fee and commission income	8	157
Fee and commission expenses	-	-
Memorandum items	**4,714**	**106,281**
Security deposits and other securities held in custody	4,714	106,281

2021	Outstanding balances	
	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

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 2022 and 2021 by key management personnel are as follows:

Thousands of Euros

	2022	2021
Remuneration		
Fixed remuneration	4,471	4,369
Variable and deferred remuneration	1,068	1,646
Other staff expenses	372	251
Total	**5,911**	**6,266**

37. Taxation

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

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

Thousands of Euros

	31/12/22	31/12/21
Current income tax for the year	(1,106)	(214)
Deferred tax income	-	-
Income tax adjustments	283	352
Local income tax	(818)	138
Foreign income tax	2,558	(434)
Total	**1,735**	**(296)**

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	
	31/12/22	**31/12/21**
Accounting profit/(loss) before tax	16,138	(3,017)
Permanent differences	2,469	10,768
originating in the year	10,916	10,768
originating in prior years	(8,447)	-
Accounting income	18,606	7,751
Tax rate of 10%	1,861	775
Tax payable	1,861	775
Deductions and credits	755	(561)
Income tax expense for the year	1,106	214

A reconciliation between accounting profit before tax and the aggregate income tax expense of the Andbank Group's Andorran companies for 2022 and 2021 is as follows:

	Thousands of Euros	
	31/12/22	**31/12/21**
Income and expenses for the year	16,138	(3,017)
10% of the income and expenses balance for the year	1,614	(302)
Tax effect of permanent differences	247	1,077
Deductions and credits for the current year	(755)	(561)
Income tax expense	1,106	214

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 2022 and 2021. Movement in the different deferred tax assets and liabilities of the Andbank Group's Andorran companies during 2022 and 2021 has been as follows (in thousands of Euros):

				Thousands of Euros
	Deferred tax assets		**Deferred tax liabilities**	
	2022	2021	2022	2021
Opening balance	11,385	10,563	839	677
Increases	1,464	1,254	356	162
Decreases	(1,874)	(426)	(3)	-
Closing balance	**10,975**	**11,391**	**1,192**	**839**

Details, by type, of the origin of deferred tax assets and liabilities of the Andbank Group's Andorran companies at 31 December 2022 and 2021 are as follows:

	Thousands of Euros	
	31/12/22	**31/12/21**
Deferred tax assets		
Differences due to temporary charging of income and expenses		
Provisions and other impairment	3,171	2,533
Other	3,268	3,171
Other assets	4,535	5,687
	10,974	**11,391**
Deferred tax liabilities		
Other	1,192	839
	1,192	**839**

Deferred tax assets include amounts recognised by the Andbank Group's Andorran companies for unused deductions (Euros 315 thousand) and for tax losses (Euros 4,220 thousand) once the forecast income tax for 2022 has been accounted for.

38. Risk management

▪a. General model for risk management and control

One of the Bank's key issues and priority objectives has always been to achieve a robust and efficient risk control and management model. 2022 has been a year of continuity with regard to developing and strengthening the integral risk management model, which covers all risks to which the Bank is exposed and enables optimum management of capital.

In order to ensure a shift towards advanced risk management, during 2016 the Bank 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 Bank's integral risk management model became a reality, and was consolidated in 2018.

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. In April 2022 the metrics and limits of the risk appetite framework have been reviewed for the purpose of adapting them to the Bank's business strategy and its attainment of objectives.

The established control environment enables the risk profile to be kept within the risk appetite level 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 three 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%. In addition to the aforementioned requirements, on 31 December 2022 the entities are under the obligation to hold a capital buffer of 1.25% which has to be met with ordinary TIER1 capital. At 31 December 2022 Andbank's capital is significantly above these minimum ratios. In this regulatory environment, Andbank's capital ratios at 31 December 2022 are:

	Law 35/2018
CET1 ratio	14.32%
TIER1 ratio	15.71%
Total capital ratio	15.71%

▪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 and Spanish markets, by giving loans to individuals and small and medium-sized companies in Andorra and Spain.

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 2022 and 2021, 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	31/12/22	31/12/21
Financial assets held for trading	389,342	221,918
Derivatives	169,897	119,575
Equity instruments	239	778
Debt securities	219,206	101,565
Loans and advances	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	8,399	9,275
Equity instruments	8,399	9,275
Debt securities	-	-
Loans and advances	-	-
Financial assets designated at fair value through profit or loss	11,802	13,333
Equity instruments	-	-
Debt securities	11,802	13,333
Loans and advances	-	-
Financial assets at fair value through other comprehensive income	232,704	330,717
Equity instruments	7,064	8,750
Debt securities	225,640	321,967
Financial assets at amortised cost	5,032,023	3,512,148
Debt securities	680,463	556,656
Loans and advances	4,351,560	2,955,492
Derivatives - Hedge accounting	19,180	2,955
Total exposure for financial assets	**5,693,450**	**4,090,346**
Loan commitments given	900,400	510,170
Financial guarantees given	116,430	93,955
Other commitments and other guarantees given	10,446	10,102
Total commitments and guarantees given	**1,027,276**	**614,227**
Total maximum exposure to credit risk	**6,720,726**	**4,704,573**

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, the Bank has different methods to determine expected loan losses. The gross value of debt securities by category and their credit rating, as indicated in the accounting policies, is as follows:

	31/12/22	31/12/21
Rating		
AAA	85,339	43,774
AA+ to AA-	109,938	43,848
A+ to A-	521,019	496,235
BBB+	144,002	254,888
BBB or lower	276,813	154,776
	1,137,111	**993,521**

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 2022 and 2021 classified based on the ageing of the first unpaid maturity, differentiating between non-doubtful and doubtful, together with value adjustments:

		Non-doubtful	
31 December 2022	TOTAL Non-doubtful + TOTAL Doubtful	Total	Not past due or past due <= 30 days
Loans and advances	**2,977,251**	**2,929,070**	**2,920,300**
Central banks	-	-	-
General governments	13,279	13,279	13,279
Credit institutions	58	58	58
Other financial corporations	84,471	80,927	80,927
Other non-financial corporations	1,188,443	1,157,858	1,154,738
Of which: small and medium-sized enterprises	1,157,484	1,126,899	1,123,779
Of which: secured by commercial real estate	195,934	177,890	177,890
Households	1,691,000	1,676,948	1,671,298
Of which: secured by residential real estate	926,467	921,279	920,287
Of which: credit for consumption	296,559	296,114	293,727

		Non-doubtful	
31 December 2021	TOTAL Non-doubtful + TOTAL Doubtful	Total	Not past due or past due <= 30 days
Loans and advances	**2,509,658**	**2,460,413**	**2,445,842**
Central banks	-	-	-
General governments	12,623	12,623	12,623
Credit institutions	23	23	23
Other financial corporations	72,053	72,049	72,049
Other non-financial corporations	1,018,975	985,663	978,465
Of which: small and medium-sized enterprises	538,681	505,369	498,171
Of which: secured by commercial real estate	42,548	18,614	18,436
Households	1,405,984	1,390,055	1,382,682
Of which: secured by residential real estate	591,055	585,179	581,065
Of which: credit for consumption	173,233	173,114	169,855

Thousands of Euros

Gross carrying amount / Nominal amount							
	Doubtful						
Past due >30 days <= 90 days	Total	Payment improbable not past due or past due <= 90 days	Past due >90 days <= 180 days	Past due > 180 days <= 1 year	Past due >1 year <=5 years	Past due > 5 years
8,770	**48,181**	**8,226**	**19,741**	**970**	**6,422**	**12,822**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	3,544	-	3,316	223	5	-
3,120	30,585	5,268	16,073	366	3,138	5,740
3,120	30,585	5,268	16,073	366	3,138	5,740
-	18,044	-	15,601	-	1,407	1,036
5,650	14,052	2,958	352	381	3,279	7,082
992	5,188	2,226	237	-	1,128	1,597
2,387	445	115	-	257	73	-

Thousands of Euros

Gross carrying amount / Nominal amount						
	Doubtful					
Past due >30 days <= 90 days	Total	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
14,571	**49,245**	**22,684**	**956**	**2,840**	**13,935**	**8,830**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	4	-	2	-	2	-
7,198	33,312	22,399	34	1,508	7,880	1,491
7,198	33,312	22,399	34	1,508	7,880	1,491
178	23,934	22,399	-	-	1,428	107
7,373	15,929	285	920	1,332	6,053	7,339
4,114	5,876	285	702	875	2,373	1,641
3,259	119	7	84	2	26	-

31 December 2022	Total	Accumulated Doubtful exposure Non-doubtful exposure - Accumulated impairment and provisions
Loans and advances	**(36,740)**	**(21,253)**
Central banks	-	-
General governments	(66)	(66)
Credit institutions	-	-
Other financial corporations	(330)	(325)
Other non-financial corporations	(23,797)	(13,210)
Of which: small and medium-sized enterprises	(22,642)	(13,210)
Of which: secured by commercial real estate	(17,643)	(10,286)
Households	(12,547)	(7,652)
Of which: secured by residential real estate	(5,275)	(4,170)
Of which: credit for consumption	(969)	(883)

31 December 2021	Total	Accumulated Doubtful exposure 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)

Thousands of Euros

impairment, accumulated negative changes in fair value due to credit risk and provisions						
- Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						
	Total	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
	(15,487)	**(1,337)**	**(6,818)**	**(484)**	**(3,235)**	**(3,613)**
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	(5)	-	-	-	(5)	-
	(10,587)	(1,184)	(6,701)	(365)	(990)	(1,347)
	(9,432)	(30)	(6,701)	(365)	(990)	(1,347)
	(7,357)	-	(6,496)	-	(249)	(612)
	(4,895)	(153)	(117)	(119)	(2,240)	(2,266)
	(1,105)	(7)	(49)	-	(450)	(599)
	(86)	(12)	-	(5)	(69)	-

Thousands of Euros

impairment, accumulated negative changes in fair value due to credit risk and provisions						
- Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						
	Total	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)	-

Impairment losses

Movements during 2022 and 2021 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 2022	Opening balance	Increases due to origin and acquisition	Decrease due to disposals
Provisions for financial assets without increase in credit risk since initial recognition (Stage 1)	**(1,655)**	**(1,779)**	**1,013**
Debt securities	-	-	-
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	-	-	-
Loans and advances	(1,655)	(1,779)	1,013
Central banks	-	-	-
General governments	(61)	(21)	22
Credit institutions	-	-	-
Other financial corporations	(56)	(158)	-
Non-financial corporations	(703)	(589)	1
Households	(835)	(1,011)	990
Provisions for debt instruments with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	**(26,519)**	**(16)**	**221**
Debt securities	-	-	-
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	-	-	-
Loans and advances	(26,519)	(16)	221
Central banks	-	-	-
General governments	(37)	-	37
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	(19,805)	(4)	184
Households	(6,677)	(12)	-
Provisions for credit-impaired debt instruments (Stage 3)	**(11,518)**	**(96)**	**1,497**
Debt securities	-	-	-
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	-	-	-
Loans and advances	(11,518)	(96)	1,497
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	(3)	-	1
Non-financial corporations	(4,904)	(12)	-
Households	(6,611)	(84)	1,496
Total	**(39,692)**	**(1,891)**	**2,731**

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
142	**-**	**-**	**-**	**(2,279)**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
142	-	-	-	(2,279)
-	-	-	-	-
(6)	-	-	-	(66)
-	-	-	-	-
(111)	-	-	-	(325)
355	-	-	-	(936)
(96)	-	-	-	(952)
7,340	**-**	**-**	**-**	**(18,974)**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
7,340	-	-	-	(18,974)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
7,351	-	-	-	(12,274)
(11)	-	-	-	(6,700)
(6,406)	**-**	**1,036**	**-**	**(15,487)**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(6,406)	-	1,036	-	(15,487)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(3)	-	-	-	(5)
(6,195)	-	524	-	(10,587)
(208)	-	512	-	(4,895)
1,076	**-**	**1,036**	**-**	**(36,740)**

31 December 2022	Opening balance	Increases due to origin and acquisition	Decrease due to disposals
Provisions for financial assets without increase in credit risk since initial recognition (Stage 1)	**(1,538)**	**(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)**

Risk concentration

Details of the risk concentrations of the different financial instruments, by product and geographical area, at 31 December 2022 and 31 December 2021, are as follows:

2022	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	138,110	5	15,732	-	2,701
France	1,591	-	5,008	11,802	-
Italy	9,710	-	-	-	-
Germany	20,710	1	-	-	-
Netherlands	344	-	34,875	-	-
Andorra	-	12	11,283	-	4,734
Rest of Europe	47,859	3	15,998	-	-
USA	418	3	19,677	-	964
Latin America	301	108	-	-	-
Other	163	107	67,324	-	-
	219,206	**239**	**169,897**	**11,802**	**8,399**

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	-	-	-	-
Netherlands	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**

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
	47,863	1,541	161,834	1,240,746	270,186	1,523,636
	52,519	-	40,465	244	189,113	219,122
	5,991	-	132,033	-	43	19,890
	1,232	-	5,129	1	1,037	4,048
	-	-	38,723	-	1	1,204
	5,625	2,357	38,034	2	1,682	661,015
	37,593	3,053	58,564	142,457	73,709	333,399
	10,109	29	182,382	2	1,131	9,118
	-	-	-	470	3,157	34,262
	64,708	84	23,299	27,128	1,640	134,816
	225,640	**7,064**	**680,463**	**1,411,050**	**541,699**	**2,940,510**

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**

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 2022, as well as the balances of collateral and other offsetting agreements:

Thousands of Euros

31 December 2022	Carrying amount	Clearing agreements and collateral	Net exposure
Financial assets			
Derivatives	189,077	(93,593)	95,484
Loans and advances	1,161,682	(33,802)	1,127,880
Financial liabilities			
Derivatives	92,723	(72,283)	20,440
Deposits	413,953	(127,647)	286,306

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

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 Bank 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 2022 the average VaR calculated for the trading portfolio was Euros 227 thousand, with a maximum of Euros 768 thousand and a minimum of Euros 69 thousand. The average position of the trading portfolio was Euros 243 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 2022 and 2021, 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 2022	VaR at 31/12/2022	Average VaR for the period	Maximum VaR for the period (*)	Minimum VaR for the period (*)
Interest rate risk	99	220	774	75
Spread risk	24	28	65	33
Variable income risk	-	-	-	-
Diversification effect	(17)	(21)	(71)	(39)
Total	**106**	**227**	**768**	**69**

(*) The Maximum and Minimum VaR observations for risk components correspond to those observed with the Total VaR

Thousands of Euros

At 31 December 2021	VaR at 31/12/2022	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 for 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 compared to the rates of the last year, the Andbank Group maintains a positive exposure to shifts in the interest rate curve; i.e. its financial margin would increase if the interest rate were to rise and decrease if the interest rate were to fall and this sensitivity both to increases and decreases has reduced in 2022. 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 in an investment portfolio of mainly floating rates plus a spread and in the holding of a fixed income investment portfolio primarily invested in 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 covered by interest rate derivatives 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 2022 the sensitivity of own funds has remained under this limit.

A table showing the position of the Group's interest rate gap is as follows:

							Thousands of Euros
31 December 2022	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	541,699	-	-	-	-	-	541,699
Financial assets	167,009	133,275	189,946	324,016	315,747	22,820	1,152,813
Loans and receivables	1,852,996	558,944	1,419,676	266,032	282,057	(28,145)	4,351,560
Loans and credits to entities	1,278,686	102,710	27,087	-	-	2,569	1,411,052
Credits to customers	574,310	456,234	1,392,589	266,032	282,057	(30,714)	2,940,508
Derivatives	-	-	-	-	-	169,897	169,897
Hedging derivatives	-	-	-	-	-	19,180	19,180
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	3,289	3,289
Other assets	103,425	1,547	38,443	854	-	562,609	706,878
Total assets	**2,665,129**	**693,766**	**1,648,065**	**590,902**	**597,804**	**749,650**	**6,945,316**
Financial liabilities held for trading	-	-	-	-	-	91,691	91,691
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	1,753,248	321,803	668,727	2,231,984	31,916	975,107	5,982,785
Deposits in central banks	28,422	-	150,650	-	-	-	179,072
Deposits in banks	239,549	151,382	31,761	-	-	5,029	427,721
Customer deposits	1,359,723	133,399	303,100	2,163,143	3,416	867,408	4,830,189
Demand	*1,284,599*	*40,866*	*90,518*	*2,038,575*	*3,416*	*864,494*	*4,322,468*
Term	*75,124*	*92,533*	*212,582*	*124,568*	-	-	*504,807*
Unpaid interest incurred	-	-	-	-	-	*2,914*	*2,914*
Other financial liabilities	-	-	-	-	-	-	-
Debt securities	125,554	37,022	183,216	68,841	28,500	-	443,133
Other financial liabilities	-	-	-	-	-	102,670	102,670
Hedging derivatives	-	-	-	-	-	1,032	1,032
Liabilities under insurance contracts	-	-	-	-	-	14,456	14,456
Other liabilities	4,791	76,545	20,565	-	-	146,677	248,578
Total liabilities	**1,758,039**	**398,348**	**689,292**	**2,231,984**	**31,916**	**1,228,963**	**6,338,542**
Equity	-	-	-	-	33,950	572,824	606,774
Total Liabilities + Equity	**1,758,039**	**398,348**	**689,292**	**2,231,984**	**65,866**	**1,801,787**	**6,945,316**
Assets	2,665,129	693,766	1,648,065	590,902	597,804	749,650	6,945,316
Liabilities	1,758,039	398,348	689,292	2,231,984	65,866	1,801,787	6,945,316
IRS - Derivatives	**38,000**	**31,081**	**69,711**	**-**	**(151,111)**	**-**	**(12,319)**
SIMPLE GAP	**945,090**	**326,498**	**1,028,485**	**(1,641,083)**	**380,828**	**(1,052,137)**	**(12,319)**
ACCUMULATED GAP	**945,090**	**1,271,588**	**2,300,073**	**658,990**	**1,039,818**	**(12,319)**	**-**

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
							Thousands of Euros
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	-	-	-	-	-	551,837	551,837
Total assets	**1,673,728**	**634,909**	**1,620,533**	**517,681**	**610,881**	**666,987**	**5,724,719**
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	60,150	50,121	33,707	48,340	249,015	2,688	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	532,010	566,710
Total Liabilities + Equity	**1,337,438**	**136,674**	**253,957**	**2,023,828**	**370,537**	**1,602,285**	**5,724,719**
Assets	1,673,728	634,909	1,620,533	517,681	610,881	666,987	5,724,719
Liabilities	1,337,438	136,674	253,957	2,023,828	370,537	1,602,285	5,724,719
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)**	**-**

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

31 December 2022	Impact on net interest margin		Impact on economic value	
	Increase of 25 basis points	Decrease of 25 basis points	Increase of 100 basis points	Decrease of 100 basis points
Average for the period	7.35%	(7.71%)	0.68%	(0.31%)
Maximum for the period	12.88%	(2.17%)	3.93%	1.70%
Minimum for the period	2.54%	(13.25%)	(1.15%)	(4.13%)

Milers d' euros

31 December 2021	Impact on net interest margin		Impact on economic value	
	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%)

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	2022	2021
USD	(35)	4,780
GBP	(767)	(1,130)
CHF	357	(230)
JPY	429	460

▪e. Liquidity risk

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

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

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

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

On a daily basis the financial risk control department controls the liquidity available at different terms, verifying that they remain above the minimum liquidity level established. During 2022 this minimum level currently stands at Euros 300 million in two days up to three months and Euros 500 million up to one year in cash and highly liquid positions. 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 234% at 2022 reporting date, fully complying with the limit imposed by legislation (100%).

The Andbank Group calculates 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 2022 reporting date is 149%, 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 2022 and 2021 by contractual maturity or, where applicable by expected realisation or settlement terms:

Thousands of Euros

31 December 2022	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	409,776	-	-	16,228	115,695	-	541,699
Financial assets	137,009	89,665	162,995	342,732	397,592	22,820	1,152,813
Loans and receivables	1,509,484	153,818	517,587	1,305,570	893,246	(28,145)	4,351,560
Loans and credits to entities	1,169,185	48,341	27,087	-	163,870	2,569	1,411,052
Credits to customers	340,299	105,477	490,500	1,305,570	729,376	(30,714)	2,940,508
Derivatives	-	-	-	-	-	169,897	169,897
Hedging derivatives	-	-	-	-	-	19,180	19,180
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	3,289	3,289
Other assets	103,425	1,547	38,443	854	-	562,609	706,878
Total assets	**2,159,694**	**245,030**	**719,025**	**1,665,384**	**1,406,533**	**749,650**	**6,945,316**
Financial liabilities held for trading	-	-	-	-	-	91,691	91,691
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	1,483,356	226,762	657,897	579,363	2,060,300	975,107	5,982,785
Deposits in central banks	28,422	-	150,650	-	-	-	179,072
Deposits in banks	8,739	56,341	20,932	17,637	319,043	5,029	427,721
Customer deposits	1,359,723	133,399	303,099	492,885	1,673,675	867,408	4,830,189
Demand	1,284,599	40,866	90,517	368,317	1,673,675	864,494	4,322,468
Term	75,124	92,533	212,582	124,568	-	-	504,807
Unpaid interest incurred	-	-	-	-	-	2,914	2,914
Other financial liabilities	-	-	-	-	-	-	-
Debt securities	86,472	37,022	183,216	68,841	67,582	-	443,133
Other financial liabilities	-	-	-	-	-	102,670	102,670
Hedging derivatives	-	-	-	-	-	1,032	1,032
Liabilities under insurance contracts	-	-	-	-	-	14,456	14,456
Other liabilities	4,791	76,545	20,565	-	-	146,677	248,578
Total liabilities	**1,488,147**	**303,307**	**678,462**	**579,363**	**2,060,300**	**1,228,963**	**6,338,542**
Equity	-	-	-	-	33,950	572,824	606,774
Total Liabilities + Equity	**1,488,147**	**303,307**	**678,462**	**579,363**	**2,094,250**	**1,801,787**	**6,945,316**
SIMPLE GAP	**671,548**	**(58,277)**	**40,563**	**1,086,021**	**(687,717)**	**(1,052,137)**	**-**
ACCUMULATED GAP	**671,548**	**613,271**	**653,834**	**1,739,854**	**1,052,137**	**-**	**-**

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	-	104,265	-	1,079,398
Financial assets	8,658	111,995	68,076	412,761	385,064	25,771	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	-	-	-	-	-	551,837	551,837
Total assets	**1,273,207**	**264,894**	**669,365**	**1,488,144**	**1,362,122**	**666,987**	**5,724,719**
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	81,052	378,128	617,659	1,870,438	877,754	4,965,488
Deposits in central banks	16,582	-	-	164,250	-	-	180,832
Deposits in banks	37,252	9,500	22,878	61,640	310,063	2,688	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	10,059	190,563	49,261	87,405	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	**1,140,457**	**81,052**	**378,128**	**617,659**	**1,870,438**	**1,070,275**	**5,158,009**
Equity	-	-	-	-	34,700	532,010	566,710
Total Liabilities + Equity	**1,140,457**	**81,052**	**378,128**	**617,659**	**1,905,138**	**1,602,285**	**5,724,719**
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**	**-**	**-**

Those assets which at 31 December 2022 and 2021 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 2022	Carrying amount of committed assets	Market value of committed assets	Carrying amount of non-committed assets	Market value of non-committed assets
Equity instruments	-	-	15,702	15,702
Debt securities	458,109	414,721	679,002	615,828
Loans and advances	-	-	-	-

				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	-	-	-	-

At 31 December 2022 and 2021 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 2022	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	325,927	117,071	208,857
Loans and advances	-	-	-

			Milers d' 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	-	-	-

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 2022 the operational risk equity requirements, calculated using the basic indicator method, amounts to Euros 31,785 thousand with an exposure to operational risk of Euros 397,315 thousand (APRs).

▪g. 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.

The Andbank Group considers that its public image is its best asset when retaining the trust of customers, regulators, shareholders and investors.

The Andbank Group 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 dedicated professionals specialised in each jurisdiction in which the 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 reviewed on an annual basis to bring them into line with the Andbank Group's activity. The global policies, which encompass money laundering prevention, legislative compliance, anti-corruption and the code of conduct, are applicable for the whole Group, as are a series of procedures, tools and 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. It should be mentioned that the model includes a criminal risk prevention programme.

The main pillars on which the Andbank Group has instrumented the management of legislative non-compliance risk and reputational risk are as follows:

Ethical and conduct rules

The Andbank Group 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 Andbank Group 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 and subsequent amendments, the Andbank Group 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 Group 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 due diligence 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 in this area (such as country of origin, residence, operations or professional activity, etc.).

The Andbank Group supports new technologies and has cutting-edge technical resources to detect suspicious models 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-related risks, procedures have been prepared containing the activities through which risks are managed. These procedures are updated in accordance with local regulations and international standards.

In order to reinforce good governance in this field, critical for any financial institution, the Andbank Group 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 the Andbank Group to mitigate legislative compliance risk and reputational risk 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 Group 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.

As part of these annual programmes courses are given on taxation, anti-money laundering and anti-terrorism financing and investor protection. The subject matter and complexity of these courses are adapted to the activities carried out by course recipients.

Andbank also encourages its team to obtain recognised professional certification, as well as to carry out ongoing training in anti-money laundering and anti-terrorism financing.

Data protection

The Andbank Group is committed to protecting privacy, in accordance with Law 29/2021 of 28 October 2021 on personal data protection (Llei 29/2021, del 28 d’octubre, qualificada de protecció de dades personals). Andbank’s legislative compliance programme implements a raft of procedures, the aim of which is to ensure that customer data is processed in a licit, legal and transparent manner, for legitimate purposes and only for the time required for the purposes of processing the data and guaranteeing security.

Incidents and complaints

The Andbank Group 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:

			Level 1
31 December 2022	Level 1	Level 2	Level 3
Financial assets held for trading	**79,859**	**309,483**	**-**
Derivatives	-	169,897	-
Equity instruments	113	126	-
Debt securities	79,746	139,460	-
Non-trading financial assets mandatorily at fair value through profit or loss	**2,654**	**5,745**	**-**
Equity instruments	2,654	5,745	-
Debt securities	-		
Financial assets designated at fair value through profit or loss	**-**	**11,802**	**-**
Debt securities	-	11,802	-
Financial assets at fair value through other comprehensive income	**198,551**	**34,153**	**-**
Equity instruments	3,406	3,658	-
Debt securities	195,145	30,495	-
Derivatives - Hedge accounting	**-**	**19,180**	**-**
Financial liabilities held for trading	**-**	**92,723**	**-**
Derivatives	-	91,691	-
Derivatives - Hedge accounting	**-**	**1,032**	**-**

Thousands of Euros			
31 December 20221	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 liabilities held for trading	**-**	**57,847**	**-**
Derivatives	-	57,847	-
Derivatives - Hedge accounting	**-**	**4,757**	**-**

During 2022 and 2021 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 2022 and 2021 is provided below:

31 December 2022	Fair value	Valuation techniques	Significant non-observable input	Range of estimates (weighted average) for non-observable input
Level 2 financial instruments				
Derivatives	281,800	Discount Model, Credit Default Model Black-Scholes, Futures	Not applicable	-
Equity instruments	9,530	Deal Value	Not applicable	-
Debt securities	181,758	Discount Model, Credit Default Model Black-Scholes, Futures	Not applicable	-

(*) Derivatives of assets and liabilities are included together

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	-
Debt securities	161,610	Discount Model, Credit Default Model Black-Scholes, Futures	Not applicable	-

(*) Derivatives of assets and liabilities are included together

▪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 2022 and 2021:

Financial assets at amortised cost	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31/12/22	523,085	51,967	-	575,052	680,463
31/12/21	486,287	64,707	-	550,994	556,656

28% of the notional amount of these financial instruments is hedged at interest rate level. (see note 11)

During 2022 infrequent and immaterial sales have been made from the portfolio at amortised cost, which meet the Group's management criteria and are in line with the Business Model for the portfolio at amortised cost. These sales have not significantly impacted the income statements.

40. Events after the reporting period

From 1 January 2023 to the date these financial statements were approved, no events have arisen that significantly affect the Group's equity situation or results.

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, where applicable, in Andorran public funds.

At 31 December 2022, the Group does not have any investments in debt issued by the Andorran Government, within the scope of this law.

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 2022 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 2022 for operations under this programme is Euros 1,045 thousand (Euros 1,143 thousand at 31 December 2021), 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.

The most recent amendment was made via Law 35/2022 of 24 November 2022 which incorporated the principles of the European Union regulations, EMIR, SFTR and BMR, into the Andorran legal system.

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 2022 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 adoption 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.

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 8/20215 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 general regulation for data protection and modernising the existing legal framework.

Law 5/2022 of 3 March 2022 on the application of international sanctions (Llei 5/2022, del 3 de març, d'aplicació de sancions internacionals)

This Law provides the Andorran legal system with a benchmark framework for the application of international sanctions arising from international bodies such as the United Nations or the European Union.

Law 36/2022 of 24 Novemner 2022 on the creation of international reserves and the financial system's access to assistance in the form of an urgent provision of liquidity (Llei 36/2022, del 24 de novembre, de creació de reserves internacionals i accés del sistema financer a assistència en forma de provisió urgent de liquiditat)

This Law structures a last instance lender mechanism based on international reserves enabling the urgent provision of liquidity. The mechanism enacted by this Law is fully validated with existing international mechanisms. Specifically, it replicates the European Central Bank's emergency liquidity assistance (ELA) model and, in the case of Andorra, it has been developed based on technical advice from the IMF.

Annex 1- Andbank Group companies

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%
Egregia B.V	Netherlands	Special purpose vehicle	100%
Zumzeiga B.V	Netherlands	Special purpose vehicle	100%
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%
MyInvestor Banco, SAU (anteriorment Andbank España, SAU)	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	Pension fund manager	-
Merchbanc, International, S.A.R.L	Luxembourg	Instrumental Share holding	-
Andbank Correduria de Seguros S.L.U.	Spain	Insurance intermediation	-
MyInvestor, S.A.	Spain	Agent. Auxiliary services	-
Andbank Monaco S.A.M.	Monaco	Bank	95%
Andbank Corretora de Seguros de Vida, Ltda	Brazil	Insurance intermediation	100%
Andbank Gestao de Patrimonio Financeiro, Ltda	Brazil	Wealth management	-
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%
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 2011 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	Netherlands	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	49.80%
Actyus Private Equity SGIIC, SAU	Spain	Fund manager	100%
Andbank España Banca Privada, SAU (formerly WealthPrivat Bank, S.A.U.)	Spain	Bank	100%
WealthPrivat Corporate Finance, S.A.U.	Spain	Financial services	-

(*) Under liquidation

2022							
% Indirect ownership	Audited company	Interim dividend	Equity	Capital	Reserves	Unused prior years' profit (losses)	Profit/ (loss)
-	No	-	104	32	6	74	(9)
-	No	-	36	30	95	(86)	(2)
-	Yes	-	4,303	1,000	1,019	-	2,285
-	Yes	-	6,805	180	14,617	(7,935)	(57)
-	Yes	-	34,400	30,153	-	3,781	466
-	Yes	-	2,936	2,404	481	19	32
100%	Yes	-	3,731	3,710	348	98	(425)
50%	Yes	-	5,279	1,558	(513)	3,864	369
100%	Yes	-	3,075	13	1	2,152	908
100%	Yes	-	5,864	3,000	250	-	2,614
-	Yes	-	47,019	44,893	(1,538)	-	3,664
-	Yes	-	37,001	18,000	19,760	-	(759)
100%	Yes	-	24,173	1,004	20,826	-	2,343
51%	Yes	750	1,479	54	1,113	-	1,061
100%	Yes	-	2,036	601	1,169	-	266
100%	No	-	2,012	25	2,015	(46)	19
100%	Yes	-	300	3	309	(5)	(7)
54%	No	-	8,235	12,538	8,422	(11,550)	(1,175)
-	Yes	-	36,385	26,880	2,970	4,325	2,210
-	Yes	-	99	1	26	321	(250)
100%	Yes	-	402	343	(47)	239	(133)
-	Yes	-	82,882	114,489	(13,949)	(13,859)	(3,800)
100%	Yes	-	100	318	(8)	(191)	(19)
-	Yes	-	4,022	388	8,027	(4,385)	(8)
100%	Yes	-	5,109	-	7,081	(1,710)	(263)
100%	Yes	-	(772)	-	825	(2,066)	469
100%	Yes	-	1,454	186	745	706	(183)
100%	Yes	-	(1,605)	-	-	(1,748)	143
-	Yes	-	1,149	370	(58)	788	49
100%	Yes	-	3,614	2,069	1,516	-	29
100%	Yes	-	7,379	20,649	-	(12,987)	(283)
100%	Yes	-	2,491	570	2,145	-	(225)
100%	Yes	-	2,712	975	1,417	-	319
-	Yes	-	506	1,306	833	(1,480)	(152)
-	Yes	-	274	355	(217)	66	70
-	Yes	-	981	18	-	924	39
-	Yes	-	2,089	951	(431)	1,992	(422)
-	Yes	-	338	-	-	529	(191)
-	Yes	-	(112)	1	-	(75)	(38)
-	Yes	-	361	533	940	(1,196)	84
-	No	-	300	300	-	-	-
-	Yes	-	215,971	63,949	137,772	-	14,249
100%	Yes	-	1,452	1,316	266	-	(130)

Annex 1- Andbank Group companies

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	Netherlands	Special purpose vehicle	-
Zumzeiga B.V	Netherlands	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	Asset 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	Instrumental. Share holding	
Andbank Correduria de Seguros S.L.U.	Spain	Insurance intermediation	-
MyInvestor, S.A.	Spain	Agent. 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%
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	Netherlands	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	Global investment advisor agent	95%
WealthPrivat Bank, S.A.U.	Spain	Bank	100%
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	-	39	30	95	(94)	7
-	Yes	-	3,713	1,000	1,019	-	1,695
-	No	-	-	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
98,07%	Yes	-	474	306	(11)	40	139
-	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	-	7,565	(2,186)	359
100%	Yes	-	(1,326)	-	882	(2,944)	737
100%	Yes	-	1,748	199	796	899	(145)
100%	Yes	-	(1,867)	-	-	(1,860)	(7)
-	Yes	-	1,038	370	(121)	586	203
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	-	-	414	115
-	Yes	-	(74)	1	-	(285)	210
-	Yes	-	407	569	1,005	(1,212)	45
-	Yes	-	-	608	(70)	(338)	(199)
-	Yes	-	22,630	46,520	(15,978)	-	(7,912)
100%	Yes	-	1,581	1,316	63	-	203

ANNUAL REPORT 2022

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 Manel 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 different jurisdictions, 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
	Turnover (*)	Number of employees on a full-time equivalent basis	Gross profit/ loss before tax	Taxes on profit/ loss
Andorra	79,121	325	16,141	(815)
Spain	86,984	459	10,225	4,906
Luxembourg	18,323	59	5,367	(1,341)
Monaco	21,455	50	2,947	(737)
Brazil	5,432	119	(2,542)	(197)
Israel	6,601	41	213	-
USA	5,081	21	(287)	-
Mexico	5,979	87	458	(84)
Uruguay	5,008	37	119	(2)
Switzerland	1,787	7	(435)	11
Panama	3,822	27	(422)	-
Others and adjustments	(13,113)	-	(3,695)	(7)
TOTAL	**226,480**	**1,232**	**28,089**	**1,735**

(*) Net results from operating activities have been considered as turnover, as stated in the income statements

Public grants received

The amount of public grants received is not significant.

Other information

At 31 December 2022 the return on the consolidated Group's assets, calculated by dividing the consolidated profit for the year by total assets, stands at 0.43%.

04

Global economic and financial market developments

Summary of 2022 and outlook for 2023

Global economic and financial market developments

Summary of 2022 and outlook for 2023.

2022 - External environment. Behaviour of the global economy and financial markets: A favourable year for post-Covid recovery, but very negative for financial assets.

World economic growth in 2022 was a remarkable 3.4%. The emerging economies grew fastest, averaging 3.9%, led by the Asian countries, with an average of 4.3%, ahead of the Latin American emerging economies, which averaged 3.9%, while the European emerging countries lagged behind, with growth of 0.7%. The developed economies grew at a rate of 2.7%, led by the Euro area (+3.5%), the United Kingdom (+4.1%), Canada (+3.8%), the United States (+2%) and Japan (+1.4%).

Overall, 2022 was a favourable year for economic activity, but with the pace of growth declining over the period. World economic activity and the global outlook deteriorated in the last part of the year as a result of high geopolitical uncertainty, high and growing inflation, and restrictive financial conditions. Accordingly, the outlook for world trade and external demand worsened in the last quarter compared with the second and third quarter projections.

Looking at 2022 euro area growth (+3.5%) in more detail, the final figure masks a significant slowdown in activity in the second half of the year, reflecting the gradual disappearance of the favourable base effect of factors that had buoyed the economy during the first half, mainly in connection with the strong surge in demand for services following the easing of COVID-19-related restrictions during 2021. As a result of these opposing factors, the last quarter of 2022 saw a stagnation in euro area economic activity. While net external demand had a positive effect on growth, all components of private domestic demand contracted as real disposable income fell and financing conditions tightened. The euro area economy is expected to start along a path of gradual recovery in early 2023, given that recent survey data point to a certain increase in confidence following the improvement in security of energy supply, the substantial drop in energy prices, the easing of supply bottlenecks, and the government support, which should continue to provide some relief to households and various sectors over the next few quarters. In the medium term, the strength of the labour market and the recovery in real incomes should contribute to an upswing in euro area GDP growth, although we also expect the gradual tightening of financial conditions to have a moderating effect on activity.

In terms of the behaviour of the **financial markets**, 2022 was a deeply negative year. In particular, the high correlation between asset classes made it impossible for investors to find refuge anywhere other than in liquidity.

In **equity** markets the falls were widespread and deep, most notably: MSCI ACWI Global (-19.97%), U.S. S&P Index (-19.4%), Europe Stoxx Index (-14.4%), China Shenzhen Index (-21.9%).

In **fixed-income assets** the falls were as steep or steeper. The 10-year U.S. Treasury yielded -17.4% for the year, the German 10-year bond lost -22.1%, the UK benchmark government bond lost -20.6%, and Japan's government bond dropped just -2.7%, thanks to the BoJ's maintaining its debt purchase programme throughout 2022. In Europe, peripheral government bonds could not escape the trend and showed the biggest losses, notably the government bonds of Spain (-24%), Italy (-27%), Portugal (-24%), Greece -25%.

2023 - Global outlook.

World: Slowdown in global growth in 2023, with inflation persistent and above 7%. The side-effects of the rapid rise in monetary policy rates are becoming apparent.

According to baseline forecasts, growth in global activity will slow from the 3.4% observed in 2022 to 2.8% in 2023, and then stabilise at 3.0% in 2024. The advanced economies are expected to experience a slowdown in growth, from 2.7% in 2022 to 1.3% in 2023.

In an alternative (but plausible) adverse scenario, with increased stress in the financial sector, global growth slows to approximately 2.5% in 2023, and growth in advanced economies drops sharply to below 1%.

As regards global inflation, in the baseline scenario the general price level eases from 8.7% in 2022 to 7.0% in 2023, due to lower commodity prices, although underlying inflation is likely to fall more slowly. In most cases, inflation is unlikely to return to the target level before 2025.

The faint hopes in early 2023 that the world economy could achieve a soft landing (with steady growth and falling inflation) have faded as the year has progressed, amid persistently high inflation and the recent financial sector turmoil. Although headline inflation has been falling (as energy and food prices have receded), underlying price pressures are proving persistent, with labour market tightness in several of the major economies. Similarly, the side-effects of the rapid rise in monetary policy rates are becoming apparent after the severe bank instability seen in the U.S. and Europe.

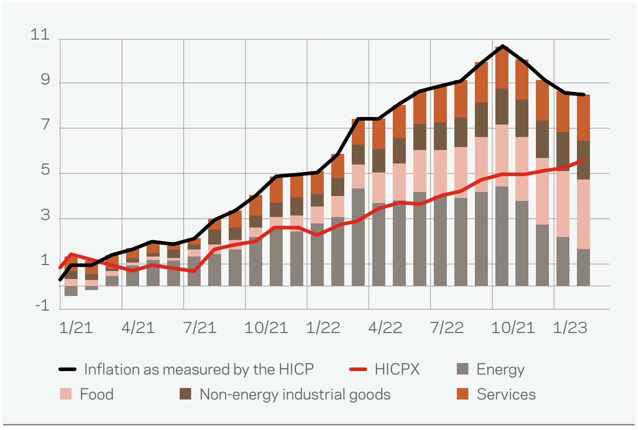
Risks to the outlook are highly skewed to the downside, and the odds of a hard landing have risen significantly.

Euro area in 2023. Despite the collapse of Credit Suisse, banks are in a better position to withstand market disruption.

In terms of **inflation and growth**, the ECB expects inflation to remain too high for too long. Accordingly, on 16 March 2023 the Governing Council decided to raise the ECB's three official interest rates by 50 points. The ECB experts' new macroeconomic projections were finalised in early March, before the recent financial market tensions emerged. The forecasts may therefore be somewhat outdated. The baseline path for headline inflation was set at 5.3% in 2023, 2.9% in 2024 and 2.1% in 2025. Meanwhile, underlying inflationary pressures remain strong, with core prices rising once again in February. The ECB experts expect underlying inflation to reach an average of 4.6% in 2023, higher than forecast in December. Subsequently, it is expected to drop to 2.5% in 2024 and 2.2% in 2025, as the upward pressures due to previous supply shocks wane and monetary policy tightening increasingly restrains demand.

General inflation and its main components

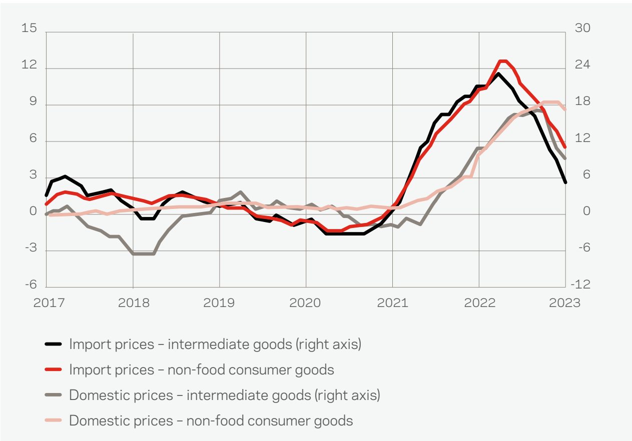
(year-on-year rates of change; contributions in percentage points)



Sources: Eurostat and ECB calculations.
Notes: "HICP" is the Harmonised Index of Consumer Prices. "HICPX" is inflation as measured by the HICP excluding energy and food. The most recent observations are for February 2023 (advance estimate).

Indicators of latent pressures

(year-on-year rates of change)

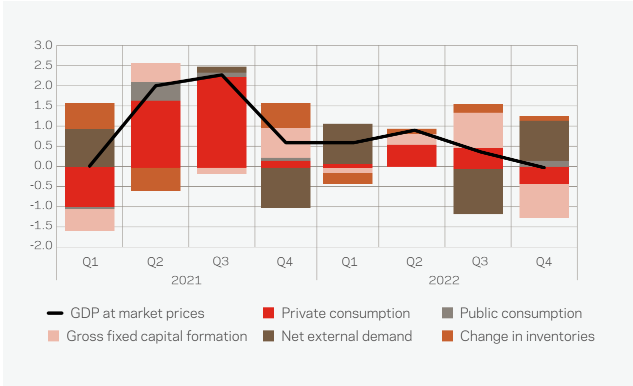


Sources: Eurostat and ECB calculations.
Note: The most recent observations are for January 2023.

The baseline projections for **growth** in 2023 have been revised upwards to an average of 1.0% in view of the economy's demonstrated resilience to the challenging international environment. The ECB experts expect growth to pick up more rapidly after that, reaching 1.6% in both 2024 and 2025, supported by labour market strength, increased confidence and a recovery in real incomes. However, the uptick in growth in 2024 and 2025 is weaker than forecast in the December projections, due to the tighter monetary policy stance.

Euro area real GDP and its components

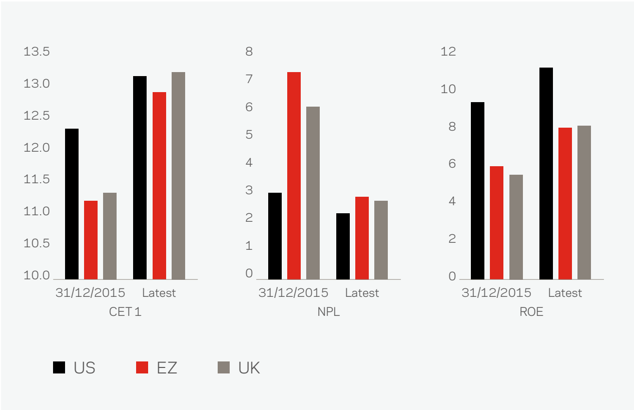
(quarter-on-quarter rates of change; contributions in percentage points)



Sources: Eurostat and ECB calculations.
Note: The most recent observations are for the fourth quarter of 2022.

Financial conditions and monetary policy decisions. As regards possible further action by the ECB, a data-dependent approach to Governing Council decisions on interest rates is more important than ever, as rates will be determined by the dynamics of underlying inflation and the strength of monetary policy transmission. The Governing Council also announced that it was monitoring the current tensions in the banking sector closely and is prepared to respond as necessary to maintain financial stability in the euro area. The ECB says it has all the tools it needs to provide liquidity support to the financial system if needed. Markets are now pricing lower terminal rates of around 3.3%. Since the Credit Suisse rescue, those who had a more hawkish stance now seem more flexible. Should instability persist, the ECB could, despite its determination to fight inflation, opt either for smaller increases (+25 bps) or for a pause. Monetary policy transmission through the credit channel (higher borrowing costs, lower demand for credit, more stringent lending requirements) will increase as the tightening of financial conditions affects bank lending, which still accounts for the bulk of the long-term financing of euro area firms. This will allow the ECB to take a less aggressive approach. However, if bank tensions were to ease, the interest rate hikes would resume, as inflation remains high and downwardly rigid. As Lagarde put it, there is "still ground to cover" as regards inflation. We expect further rate hikes, but the future rate path has become more uncertain and the process could slow down.

The solvency of the **European banking sector** has improved significantly over the last decade, mitigating possible contagion effects. Looking first at the large euro area banks (whose total assets are equivalent to 80% of the region's GDP), the sector is now much better capitalised than it was in 2015, thanks to better, more consistent regulation and supervision. The banks' non-performing loan ratio is now below 3%, while their average Common Equity Tier 1 (CET1) ratio has risen more than 2 percentage points to nearly 13%, close to that of their U.S. peers. Liquidity has also improved, with the liquidity ratio (LCR) climbing from 125% in 2015 to 150% in 2022, well above the regulatory minimum of 100%. Even so, the large U.S. banks are generally more profitable, with a 3 percentage points higher return on equity (ROE) than the European banks. This difference is also reflected in the share price. When we expand the sample universe to include smaller banks, we can say that the soundness of European banks tends to be greater.



However, the European banks remain highly exposed to country risk, forming a dangerous nexus. The European banks have a significant volume of government bonds on their balance sheets, partly because of the need to hold liquid assets. The nexus between the commercial banks and the sovereign issuer poses a serious threat to financial stability and in recent years has scarcely been addressed, other than partially (there has been no substantial reduction in government debt holdings).

The new bank crisis management mechanism in Europe makes it easier to tackle problems. The euro area has strengthened its banking supervision and resolution framework but not its regional deposit scheme. In principle, the supervision and resolution mechanisms should be sufficient to manage specific episodes of stress in an institution. The 2008 global financial crisis and subsequent sovereign debt crisis in Europe gave rise to the European Banking Union, designed as a set of common rules to improve resilience. The Banking Union currently rests on two pillars: the single supervisory mechanism (SSM) and the single resolution mechanism (SRM). The SRM provides tools to resolve bankrupt banks in an orderly manner and protect the taxpayers of participating EU countries from the cost associated with external bail-outs. The SRM also includes the Single Resolution Fund (SRF), an emergency fund that would only be called upon once all other options, i.e. internal recapitalisation (bail-in), have been exhausted. Through the SRF, the financial industry itself undertakes to stabilise the financial system, rather than the taxpayers. The banks are legally obliged to make an annual contribution to the SRF, which at the end of 2022 amounted to €66 billion and by the end of 2023 is supposed to reach at least 1% of the total amount of guaranteed deposits held by the Banking Union's credit institutions. The reform of the European Stability Mechanism (ESM) created a "common backstop" that enhanced the Union's capacity to manage bank failures. This additional emergency fund, which matches the size of the SRF using public money, bolsters confidence in the system. If the SRF were depleted, the ESM would lend the necessary funds to the SRF to finance a resolution. The ESM operates as a last resort by providing a revolving credit line, with the nominal cap for ESM loans to the SRF set at EUR 68 billion. The SRF must pay back the ESM loan with money from bank contributions within three years (with a possible extension up to five years). The ESM loans would thus be fiscally neutral over the medium term. However, despite all these advances in the stabilisation of the European banking system, the third pillar, the European Deposit Insurance Scheme (EDIS), has yet to be implemented. The EDIS would provide greater, more uniform protection of deposits than is provided by national deposit guarantee schemes. A precondition for establishing the EDIS is a substantial reduction in national banks' exposure to national sovereign debt, thus breaking the vicious circle between banks and the sovereign issuer, a requirement we are still far from meeting.

United States

In the United States, growth in 2023 is expected to be only 1.4%, mainly because of a slowdown in economic activity in the first half, while disinflation is likely to be more gradual than expected. Signs of economic weakness for 2023 were apparent in the indicators published at the beginning of the year, which pointed to modest growth in consumer spending, reflecting, to some extent, the tightening of financial conditions. Activity in the housing sector also continues to weaken, largely as a result of the increase in interest rates on mortgage loans, and this increase in the cost of capital is already taking its toll on production and business investment in fixed capital. The continued slowdown in domestic demand also points to weak growth already in the first half of the year, despite the strong labour market. This tightening (strength) of the U.S. labour market is striking, given the clear slowdown in activity in key areas of the economy (such as manufacturing and construction). So far there are few signs of deterioration in the labour market, as wages continue to rise in nominal terms. This supports our view that inflation in the U.S. could be more persistent than anticipated.

Year-on-year headline inflation, as measured by the CPI, fell to 5% in March 2023, driven by the fall in food and energy prices. However, second-round effects persist, with year-on-year underlying inflation ticking back up to 5.6 per cent.

Consequences of the U.S. bank failures. The failure of four regional banks will most likely reduce the supply of credit and serves to reinforce our view that by the end of 2023 the U.S. economy is likely to be in recession. The latest credit managers survey showed a marked tightening of lending conditions across all product types. In the housing market, for example, restraint in new mortgage lending points to a slowing of real estate price growth, which is likely to reduce household consumption spending. In order to conserve capital and ensure liquidity buffers, U.S. banks are expected to tighten lending requirements even further. Indeed, the U.S. regulator appears to prefer putting out fires to preventing them, and these major regulatory shortcomings ended up allowing negligence and poor risk management at Silicon Valley Bank (SVB) and other banks. The decline in the value of banks' held-to-collect (htc) assets has made the U.S. banking system considerably more vulnerable to bank runs by uninsured depositors, and banks are likely to become even more cautious. **Was SVB an isolated case?** SVB was far from being one of the worst-capitalised U.S. banks or having the largest unrecognised losses. If only half of uninsured depositors decided to withdraw their funds, 190 banks would be at risk of capital losses. The collapse of SVB is a warning of increasing friction in the financial system if the Fed is unable to contain inflation and is forced to continue raising interest rates. The Fed's comprehensive protection of depositors has bolstered confidence, but it would also entail fiscal constraints if the markets were to put more banks to the test.

Credit Suisse was one of the Fed's primary dealers, and events show that the risk of full-blown contagion persists. The bottom line is that tensions in the financial sector, triggered by bank failures, could be a drag on U.S. economic growth. As of today their impact remains highly uncertain.

As regards the path likely to be taken by the **Federal Reserve**, market expectations about the Fed's terminal rate have been highly variable in recent weeks. Fed Chairman Jerome Powell told Congress on 8 March that "the latest economic data have come in stronger than expected, which suggests that the ultimate level of interest rates is likely to be higher than previously anticipated", adding that "if the totality of the data were to indicate that faster tightening is warranted, we would be prepared to increase the pace of rate hikes". Before his remarks, another labour market report had been published with fairly strong figures. Both these events generated expectations that interest rates would be higher for longer than previously expected. Around that time, the baseline scenario put the terminal rate at 5.75%-6%. Then came the collapse of SVB, the sixteenth largest U.S. bank by assets. A gradual withdrawal of deposits, mostly by startups that needed the cash to continue operating in an environment of reduced availability of venture capital funding, turned into a full-blown bank run, triggered by the bank's announcement of an additional capital raising, after it had sold a significant volume of Treasury bonds and MBS at a loss to help fill its liquidity gap. Although there was a rapid contagion effect on other regional banks with a similar risk profile, First Republic Bank being the most problematic, the carnage would have been greater without government intervention (FDIC, Fed and Treasury) to protect insured depositors, while the Federal Reserve created an emergency lending programme to provide liquidity to banks in need. As a result of the intervention, the Fed's balance sheet expanded by nearly $400 billion in just two weeks. At its first monetary policy conference after the SVB debacle and the flight of deposits, the Fed argued that "the difficulties in the banking sector were limited to a small number of banks", emphasising that the financial system as a whole was "sound and resilient". The market is now pricing in the possibility that we are already at, or very close to, the terminal rate, on the assumption that, from the June meeting, the central bank will soon reverse course and start to cut interest rates.

United Kingdom

Economic activity in the UK is expected to remain weak in the first half of 2023. After the economy narrowly avoided a technical recession at the end of last year, the pace of growth was negative around the turn of the year. This tendency, together with weak data on short-term indicators, suggests that growth could be negative again in the first quarter, as the indicators point to a prolonged lack of dynamism, while households continue to face declines in real wages and tighter financial conditions.

Year-on-year headline inflation as measured by the CPI fell to 10.1% in January, reflecting the drop in fuel prices, while underlying inflation started to show signs of moderation, thanks to the fall in the prices of hospitality services. However, as the labour market remains tight and wages are growing strongly, inflationary pressures in the UK economy are also expected to be more persistent, despite the fragile growth trend.

China

In China, the recovery from the recent pandemic-related disruptions is on track. Quarter-on-quarter real GDP growth remained flat in the fourth quarter of 2022, despite a sharp increase in infection rates after the authorities' sudden decision to abandon the dynamic zero COVID strategy. As the wave of infections continues to subside, economic activity is expected to pick up as early as the first quarter of 2023 and to gather pace from the second quarter as pandemic-related restrictions ease. This forecast is supported by the sharp increase in mobility and congestion in the large cities, although for the time being the recovery of other indicators of economic activity, such as coal prices and air quality, has been more moderate. Chinese international tourism also is on the rise. Meanwhile, the real estate sector is experiencing only a slight recovery, owing to the persistence of negative perceptions about the viability of private property developers, whose difficulties had a prolonged effect on confidence with respect to high value purchases by local consumers.

Against this backdrop, China's growth outlook for 2023 has been revised upwards and average growth rates are expected to be close to the government's recently announced target of around 5%. Inflationary pressures in China remain moderate and are not expected to increase significantly as the economy reopens.

As for the PBoC and its monetary and stimulus policy, the prime rate has been unchanged for seven months. The PBoC's one-year loan prime rate (LPR) stayed at 3.65% and the five-year rate, at 4.30%. That said, the need for monetary easing was lessened once the PBoC unexpectedly cut the reserve requirement ratio (RRR) by 25 bp. Some economists still think it possible prime rates will be reduced this year as a measure to support lending and bolster investor confidence.

As regards confidence, China's U.S.-listed shares lost everything they had gained in 2022, with scant profit and no policy measures to encourage them. Investor interest is once again focused on the geopolitical tensions between the United States and China and state control over private companies. China has halted the authorisation of international depositary receipts (ADRs or GDRs), threatening the boom in share sales in Europe and posing a potential threat to a number of lucrative listings on European exchanges. Policymakers are concerned that a surge in GDR issues in Zurich could generate significant downward pressure on China's equity markets.

Japan

In Japan, real GDP growth remained stagnant in the fourth quarter of 2022 against a backdrop of relatively weak domestic demand. The economy's performance was worse than expected, as the general expectation was for a more dynamic recovery, given the contraction in growth in the third quarter.

According to projections, economic activity will increase gradually in 2023, supported by pent-up demand, but especially by China's economic reopening and continued monetary and fiscal policy support.

In January, year-on-year headline inflation as measured by the CPI rose to 4.3%. In the short term, inflation is expected to moderate, owing to favourable base effects resulting from last year's energy and food price rises, as well as the government's extension of energy subsidies.

Emerging economies of Asia

Emerging economies face a difficult and uncertain macroeconomic environment, with weakening global demand and synchronised tightening of monetary policy. All these factors adversely affect the growth of the developed countries and naturally also that of the emerging countries. Nevertheless, the emerging economies as a whole have generally shown greater resilience to changes in global financial conditions during the current tightening cycle than in the past, possibly thanks to reduced macro-financial vulnerabilities. Emerging economies generally have become less vulnerable over the past decade, partly thanks to banking, fiscal and labour reform. However, the countries' behaviour in this regard varies. The impact of the U.S. monetary policy shocks varies from one emerging economy to another and is determined not only by those macro-financial vulnerabilities but also by domestic monetary policy measures. Recent analyses show that a surprise tightening of monetary policy in the United States is often associated with an immediate tightening of financial conditions in an emerging economy. Emerging country responses will differ greatly, depending on each country's need to protect the value of its currency and the amount of its reserves (as a result of net foreign trade) in relation to its GDP. In the current global tightening cycle, many emerging economies even started to raise their interest rates well ahead of the United States, partly due to improved monetary policy frameworks, as many central banks now have more independence and more credible mandates.

As regards **India**, the macroeconomic outlook remains favourable. Indian exports of goods and services in the first half of financial year 2022-23, as a percentage of GDP, were the highest since 2016, and foreign direct investment flows to the country's pharmaceutical industry have quadrupled. According to the Global Innovation Index, India is one of the 40 most innovative countries in the world, having risen from 81st place in 2015 to 40th in 2022, and has become the most innovative of the group of lower-middle-income countries, overtaking Vietnam (48) and leading Central and South Asia. The GDP forecast for this financial year is in the range of 6-6.8% in real terms (11% in nominal terms). India's exports in the electronics and mobile telephony segment are expected to triple, India having now become the world's second largest mobile phone manufacturer. These figures are expected to improve as more domestic and international players establish and expand their bases in India (the China Plus One strategy is a good example).

India's macroeconomic variables generally reflect a healthier situation, with 600 billion U.S. dollars in international reserves, the twin (public and current account) deficit problem significantly resolved and supply-side initiatives that are likely to boost production capacity. Both the trend in revenue from the goods and services tax and the outlook for public investment in fixed capital (capex) are favourable. The risk to earnings forecasts from inflation, rate hikes, margin compression and a possible weakening of demand is partly offset by the profits from trade in staples and commodities. Large-cap valuations are now in a comfortable zone with reference to both past and future profits. After the correction, the Indian Sensex is trading at 18.4 times expected earnings for 2023, at its 10-year average. India is one of the world's top five markets by market capitalisation, currently accounting for 3.1% of global market capitalisation (above its historical average of 2.5%). Earnings remained strong in 2022, although the adverse macroeconomic environment, characterised by heightened concern over rising interest rates, high oil prices and liquidity shortages, has fed the volatility and nervousness in the markets.

The banking sector finally saw credit growth of more than 10%, which could be the hoped-for catalyst that improves its profitability.

It is difficult to predict the oil price, but the Reserve Bank of India (RBI) assumes a figure below 100 USD/barrel, a price compatible with the country's achieving the growth rates implicit in its official surveys. The recovery of the economy is a fact, so we should no longer be talking about the post-pandemic recovery but about the next phase, in a decade in which the reforms carried out over the last eight years will improve India's performance.

On the cost of capital side, India could join J.P.Morgan's crucial bond index. J.P.Morgan continues to sound out large investors regarding India's inclusion in its no less popular emerging market bond index, which would facilitate the entry of tens of billions of dollars into the Indian economy as the domestic market opens up to foreign capital. The decision to include Indian debt in one of these flagship indices would mark a turning point in international investors' exposure to the world's fifth-largest economy, bringing years of talks between the Indian government, index providers and investors to fruition. The consultation with asset managers has been prompted by the fact that a growing number of investors and analysts are leaning towards including India's sovereign bonds in the influential benchmark. We think there is clear investor interest in their inclusion, and the Indian government's misgivings about speculative capital flows and the speed with which they may enter and exit have also abated. The government appears to have become convinced that the funds coming in through indices are less transitory than it initially thought. Everyone would win if it went well and there are now the right incentives to make it happen, so in our opinion it is just a matter of time. Some 270 billion US dollars of Fully Accessible Route (FAR) sovereign bonds traded on the Indian market are expected to be admitted to the GBI-EM index by 2023, so India would account for around 10% of the index after inclusion. That would generate investment capital inflows that would help India moderate its average cost of capital, since India is not part of most other major bond indices, such as Bloomberg's Global Aggregate Index or the FTSE Emerging Markets Bond index. FTSE Russell put the Indian bonds on a watch list for possible inclusion in early 2021, but in March it announced that, pending another assessment, that status had not changed.

Latin America

In **Brazil**, the new fiscal framework is almost ready after more than 100 days of Lula's new government. When Fernando Haddad took over the ministerial post, he was well aware of the importance of the government's new budget framework proposal. The first indications were that the framework, which entailed a change to the Constitution, would be approved before 31 August, which was the deadline for submitting the 2024 budget to Congress. As the weeks went by and the pressure increased, the date changed to June, April and, in the end, March. Today, details are still being discussed with President Lula, but parts of the proposal have been leaked. Simone Tebet, Minister of Planning, Geraldo Alckmin, Vice-President and Minister of Industry, and Roberto Campos Neto, Governor of Banco Central do Brasil (BCB), have had access to the content of the proposal. In all cases the reaction has been one of satisfaction with what they were shown. The previous framework was somewhat simple. In 2016, a debt ceiling was established, which was to be updated in line with inflation as measured by the 12-month inflation rate, which was adhered to for a while. After the declaration of the pandemic in 2020, however, the whole world went into fiscal and monetary stimulus mode, and Brazil was no exception. A provision in the original plan allowed the debt ceiling to be overridden in an emergency, and that is what happened in 2020. However, the aftermath of the pandemic continued to be considered an emergency and the spending cap has not been respected since. President Lula said in his election campaign that the debt ceiling was a bad piece of legislation and that he would introduce a better framework. This raised intense concern and doubts as to what would happen in Brazil without a fiscal anchor to tame future worries. What we know so far is that there is likely to be a spending rule based on GDP per capita, i.e. in the years in which GDP per capita rises, the government will be required to reduce public spending to save money, which can then be spent in the years in which GDP per capita falls. Also, some fixed items of public expenditure, such as education and health, where the Constitution sets certain minimum levels (which therefore cannot be altered via budgets), will not count for debt ceiling purposes.

Many pieces are still missing and much remains to be negotiated before the final wording of the new law is settled. Lula himself has asked for a few more days to reconsider the proposal before authorising that it be sent to Congress, where it will be debated, negotiated and submitted to two rounds of voting; after that, before it can become law it will have to pass another two votes in the Senate.

The first reactions on the part of the market remain sceptical. Investors are not yet convinced that the proposal will materialise. On a previous occasion we mentioned that there was distrust in Fernando Haddad's ability to hold his ground against the wishes of Lula or the Workers' Party. Our view is that if Haddad were to surprise the market with a better than expected framework proposal, the interest rate correction would soon follow. Otherwise, the markets will likely continue to be guided by an international scenario that for Brazil is challenging, to say the least. In contrast, if the administration proves that it can enact and adhere to this framework, all Brazil's risk assets, including the securities market, can be expected to rise. If expectations were disappointed, Haddad would risk losing authority too early and virtually ruin his chances as a candidate in 2026.

As regards financial conditions and monetary policy, the BCB kept its official monetary policy interest rate (SELIC rate) unchanged at 13.75%. The tone of the Monetary Policy Committee (COPOM) statement was also more restrictive than expected. The decision was taken despite pressure from President Lula and other Workers' Party members to reduce the cost of borrowing. Lula said that BCB Governor Campos Neto was acting irresponsibly in keeping rates at such levels and that his duty was to take care of employment and people's income, which are also part of the BCB's mandate. The problem is that, even though year-on-year inflation has fallen recently (to +5.6%, compared to +5.77% in January), underlying inflation remains above the level compatible with the BCB target. Moreover, inflation expectations have risen again recently.

In **Mexico**, the inflation figures brought good news that could prompt Banxico to consider a smaller hike than was adopted at its last meeting (+50 bp). That last increase took the interest rate to 11% and, in its statement following the monetary policy decision, Banxico did not rule out further rate hikes, although it explicitly added that if conditions continued to improve, the increase would be smaller. The market has shifted its outlook for the terminal level of this tightening cycle, which it now sets at 11.25% (compared to a previous forecast of 12%). Rate cuts are expected to leave the interest rate at 10.50% by year-end.

Inflation moderated more than expected in the first half of March. The year-on-year increase, as measured by the CPI, was +7.12%, compared to +7.48% at the end of February. Underlying inflation also fell in March (+8.15%, compared to +8.21% the previous month) but is still very high, attracting the attention of Banxico. The expectation now is that inflation will reach 5% by the end of 2023, 70 bps higher than expected at the end of last year. The forecasts for underlying inflation over the next eight quarters have also been revised upwards, with a level of 5% expected by year-end. Convergence with the central bank's long-term target (3%) is not expected until late 2024 or early 2025.

As regards economic growth, in 2022 GDP growth reached 3%, but the forecast for 2023 has dropped to below 1%. We have seen an increasing flow of foreign direct investment (FDI) into sectors that could benefit from nearshoring, with the prospect that the commercial and diplomatic distance between China and the U.S. could favour the Mexican export sector. A notable example of this trend is Tesla's announcement of a future investment in a production plant in Monterrey.

On the political front, the trade disagreements within the United States-Mexico-Canada Agreement (USMCA) were not resolved with Trudeau and Biden's visit to Mexico on the occasion of the Summit of the Community of Latin American and Caribbean States (CELAC). Although the political affinity between the presidents of Mexico and the United States is now greater than under Trump, the possibility that the United States will start another antitrust dispute with Mexico after the approval of measures to reverse the 2013 energy reform cannot be ruled out. The Mexican government seems likely to lose and, by way of punishment, could face higher tariffs or compensation payments to the companies concerned. At the same time, it was confirmed during the summit that Mexico and Canada won the trade dispute against the United States over rules of origin in the automotive sector, which is great news for car exports to the United States.

As regards Mexico's financial markets, we continue to see attractive valuations for equities, compared to the past, which implies a potential for appreciation. Company reports reveal a certain resilience, but this does not seem to be a sufficient argument for changing risk perceptions and increasing valuation multiples. In fixed income we maintain our forecast of a 12-month yield spread of 500 bp between MXN-denominated and USD-denominated bonds. For both we expect the short-term spread to hold throughout 2023, even if both the Fed and Banxico lower their interest rates. The Mexican peso continues to be one of the strongest currencies against the dollar, although global risk aversion has recently brought the bilateral exchange rate to around 19 units per dollar. We estimate a 12-month target peso-dollar exchange rate of around 20 pesos per dollar.

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 Chief Risk Officer, 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.

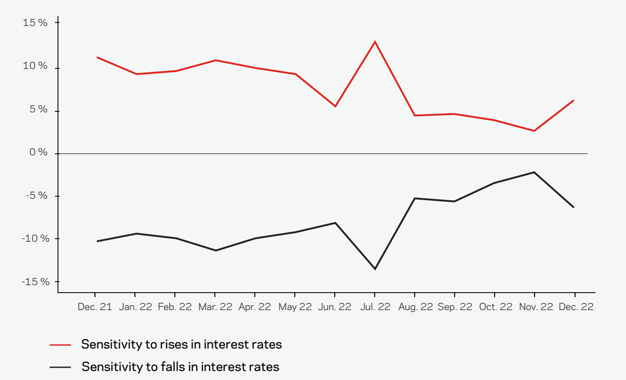
The Asset and Liability Committee (ALCO), as the body responsible for managing interest rate, exchange rate, country, counterparty, liquidity and market risk, meets at monthly intervals. The ALCO is also responsible for balance sheet management and capital management. The ALCO delegates supervision of these risks to the Financial Risk Control Department.

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.

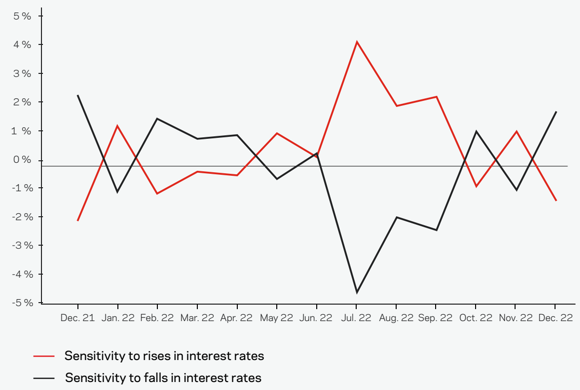
In the negative interest rate environment that has prevailed in recent years for the euro, the Group has maintained positive exposure to upward shifts in the yield curve. In other words, if interest rates were to increase, the Group's net interest income would increase, and vice versa. The repricing 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 interbank lending (mainly ECB deposits) 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 repo transactions, which cover the duration risk.

Sensitivity of the financial margin to 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 2022, 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.

Sensitivity of own resources



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	2022	2021
USD	(35)	4.780
GBP	(767)	(1.130)
CHF	357	(230)
JPY	429	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 2022, the average VaR for the trading portfolio was 227 thousand euros, with a high of 768 thousand euros and a low of 69 thousand euros, while the average total position in the trading portfolio was 243 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 2022	VaR at 31/12/2022	Average VaR for the period	Maximum VaR for the period (*)	Minimum VaR for the period (*)
Interest rate risk	99	220	774	75
Spread risk	24	27	64	33
Equity risk	-	-	-	-
Diversification effect	(17)	(21)	(71)	(39)
Total	**106**	**227**	**768**	**69**

(*) The Maximum and Minimum VaR observations for each risk component are those observed for Total VaR.

The Group applies stress tests to the banking book to estimate the probable loss in extreme situations characterised by sharp increases in the yield curve or a widening of credit spreads.

These tests involve simulating changes in the market value of banking book assets under different scenarios.

Six scenarios are analysed, four of which are historical (2010 Greek crisis, 2008 Lehman Brothers bankruptcy, 2001 Twin Towers terrorist attacks and 1998 Russian debt crisis) and two hypothetical (steepening of the yield curve, flattening of credit spreads).

The following table shows the impact of the historical scenarios on the value of the trading book and the HTC&S and HTC portfolios, month by month:

	HTC&S + HTC				Trading			
Month	Greek debt crisis	Russian debt crisis	Lehman Brothers	Twin Towers	Greek debt crisis	Russian debt crisis	Lehman Brothers	Twin Towers
January	-1.69%	-2.02%	-2.02%	-1.28%	-0.45%	-0.68%	-0.24%	-0.34%
February	-1.61%	-1.93%	-2.31%	-1.21%	-0.17%	-0.31%	0.10%	-0.21%
March	-1.52%	-1.71%	-3.08%	-1.12%	-0.16%	-0.26%	0.07%	-0.18%
April	-1.42%	-1.65%	-3.56%	-1.09%	-0.24%	-0.39%	0.01%	-0.25%
May	-1.71%	-1.82%	-3.10%	-1.27%	-0.09%	-0.18%	0.02%	-0.15%
June	-1.82%	-2.16%	-3.32%	-1.49%	-0.12%	-0.15%	-0.03%	-0.09%
July	-3.21%	-3.40%	-2.59%	-1.96%	-0.21%	-0.31%	0.06%	-0.21%
August	-2.45%	-2.60%	-2.37%	-1.62%	-0.17%	-0.18%	0.02%	-0.16%
September	-2.27%	-2.42%	-2.73%	-1.71%	-0.19%	-0.23%	0.07%	-0.13%
October	-2.00%	-2.02%	-2.59%	-1.43%	0.00%	0.11%	0.07%	0.07%
November	-2.04%	-1.74%	-1.87%	-1.69%	0.28%	0.36%	0.82%	0.37%
December	-1.94%	-1.65%	-1.28%	-1.60%	0.17%	0.18%	0.32%	0.16%

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 2022, the Group's fixed-income portfolio was invested in high quality assets, with 37.70% 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 74% 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		
	31/12/2021	**31/12/2021**
AAA	85,339	43,774
From AA+ to AA-	109,938	43,848
From A+ to A-	521,019	496,235
BBB+	144,002	254,888
BBB or lower	191,256	154,776
Total	**1,051,554**	**993,521**

As regards credit risk exposure in transactions with customers, the Group has gross loans and receivables totalling 2,972 million euros, mainly in credit facilities and loans, a large proportion of which are secured with a pledge of collateral (1,486 million euros) or by mortgage (1,310 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 1.65%, below the average for the financial institutions of neighbouring countries. During 2022, the Group maintained a conservative provisioning policy, with the result that total loan loss provisions are equal to 75% 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 2022 and 2021 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.

Thousands of Euros

Maximum exposure to credit risk	31/12/2022	31/12/2021
Financial assets held for trading	389,342	221,918
Derivatives	169,896	119,575
Equity instruments	239	779
Debt securities	219,206	101,565
Loans and advances	-	-
Non-trading financial assets mandatorily held at fair value through profit or loss	8,274	9,275
Equity instruments	8,274	9,275
Debt securities	-	-
Financial assets designated at fair value through profit or loss	11,802	13,333
Equity instruments	-	-
Debt securities	11,802	13,333
Loans and advances	-	-
Financial assets available for sale	233,072	330,717
Equity instruments	7,132	8,750
Debt securities	225,940	321,967
Financial assets at amortised cost	5,032,156	3,512,148
Debt securities	680,596	556,656
Loans and advances	4,351,560	2,955,492
Derivatives – Hedge accounting	19,180	2,955
Total risks relating to financial assets	**5,693,826**	**4,090,346**
Loan commitments given	900,400	510,170
Financial guarantees given	116,430	93,955
Other commitments and other guarantees given	10,446	10,102
Total commitments and guarantees given	**1,027,276**	**614,227**
Total maximum exposure to credit risk	**6,721,102**	**4,704,573**

Liquidity risk

Liquidity risk is the risk that, at any given time, the Group will be unable to meet its payment obligations, whether arising from the maturity of deposits, drawdown of committed credit facilities or margin calls in collateralised transactions, among other things.

The ALCO manages liquidity risk so as to ensure that sufficient liquidity is available at all times to settle liabilities, while at the same time retaining sufficient liquidity to exploit any investment opportunities that may arise.

Liquidity is managed by analysing the balance sheet in terms of contractual maturities. The bank has IT tools to correctly distribute the maturities of its assets and liabilities over time, so as to be able to analyse future cash flows from receipts and payments and thus anticipate possible gaps.

Most of the funding comes from customer deposits, although the interbank market is also an important source of funding, mainly through repo transactions.

The following table shows the assets and liabilities classified by maturity. Part of certain items, such as current accounts, is considered to have no contractual maturity. The other items are distributed across the different maturity buckets based on a historical review of their volatility, their amount and the nature of the contracts.

31 December 2022	Up to one month	One to three months	Three months to one year	One year to five years	More than five years	Not sensitive	Total balance
							Thousands of Euros
Cash, balances with other central banks and other demand deposits	409,776	(445)	(2,543)	19,216	115,695	-	541,699
Financial asset	137,009	89,665	162,995	342,732	397,592	22,879	1,152,872
Loans and receivables	1,509,484	153,818	517,587	1,305,571	893,246	(28,146)	4,351,560
Loans and credits to entities	1,169,185	48,341	27,087	-	163,870	2,569	1,411,051
Credits to customers	340,299	105,478	490,500	1,305,571	729,376	(30,714)	2,940,509
Derivatives	(0)	-	-	-	-	169,838	169,838
Hedging derivatives	(0)	-	-	-	-	19,180	19,180
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	3,289	3,289
Other assets	-	-	-	-	-	717,890	717,890
Total assets	**1,673,728**	**634,909**	**1,620,533**	**517,681**	**610,881**	**687,005**	**5,744,737**
Financial liabilities held for trading	-	-	-	-	-	91,691	91,691
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	1,483,356	226,762	657,897	579,364	2,060,300	975,107	5,982,785
Deposits in central banks	28,422	-	150,650	-	-	-	179,072
Deposits in banks	8,739	56,341	20,932	17,638	319,043	5,029	427,721
Customer deposits	1,359,723	133,399	303,099	492,885	1,673,675	867,407	4,830,189
Demand	*1,284,599*	*40,866*	*90,518*	*368,317*	*1,673,675*	*864,494*	*4,322,468*
Term	*75,124*	*92,533*	*212,582*	*124,568*	-	-	*504,807*
Unpaid interest incurred	-	-	-	-	-	*2,914*	*2,914*
Other financial liabilities	-	-	-	-	-	-	-
Debt securities	86,472	37,022	183,216	68,841	67,583	-	443,133
Other financial liabilities	-	-	-	-	-	102,671	102,671
Hedging derivatives	0	-	-	-	-	1,032	1,032
Liabilities under insurance contracts	-	-	-	-	-	14,456	14,456
Altres passius	-	-	-	-	-	248,577	248,577
Total liabilities	**1,483,356**	**226,762**	**657,897**	**579,364**	**2,060,300**	**1,330,864**	**6,338,542**
Equity	-	-	-	-	33,950	583,836	617,786
Total Liabilities + Equity	**1,483,356**	**226,762**	**657,897**	**579,364**	**2,094,250**	**1,914,700**	**6,956,328**
SIMPLE GAP	572,913	16,277	20,142	1,088,156	(687,717)	(1,009,770)	-
ACCUMULATED GAP	572,913	589,190	609,332	1,697,487	1,009,770	(0)	-
Liabilities	1,337,438	136,674	253,957	2,023,828	370,536	1,622,303	5,744,737
IRS - Derivats	**38,000**	**2,790**	**25,423**	**(23,000)**	**(45,653)**	**-**	**(2,440)**
SIMPLE GAP	**(726,525)**	**455,306**	**380,798**	**(349,341)**	**593,580**	**(935,296)**	**(2,440)**
ACCUMULATED GAP	**374,289**	**(271,219)**	**109,579**	**(239,763)**	**353,817**	**(581,479)**	**-**

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 2022, the minimum stood at 300 million euros from 48 hours to 3 months, 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%

LCR Andbank	234%

The Andbank group's LCR at the end of 2022 was 234%, 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 described 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 2022 the Group's NSFR is 149%, 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 2022, the capital requirement for operational risk, calculated using the basic indicator method, amounts to 31,785 thousand euros, with an operational risk exposure of 397,315 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.

The Andbank Group considers its public image its most valuable asset for retaining the trust of customers, regulators, shareholders and investors.

The Andbank Group has a regulatory compliance function that is aligned 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 reviewed annually to adapt them to changes in the Andbank Group's activities. These enterprise-wide policies, which include anti-money laundering, regulatory compliance, anti-corruption and the code of conduct, 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. It should be pointed out that the model includes a criminal risk prevention programme.

The main pillars supporting Andbank's management of compliance risk and reputational risk are as follows:

Rules of ethics and conduct

The Group 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 Andbank Group 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, within the framework of Law 14/2017 on the prevention and fight against money or securities laundering and the financing of terrorism and amendments thereto. 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.

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, among other things, country of origin, residence and business activity).

The Andbank Group 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, procedures have been developed that set out the activities through which these risks are managed. These 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, the Andbank Group 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.

Under current regulations, Andbank is subject to an annual independent review of the aforementioned processes.

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.

Law 8/2013, of 9 May, on the organisational requirements and operating conditions of the financial system operating entities, investor protection, market abuse and financial collateral arrangements, has been amended through Law 17/2019, of 15 February, and the Implementing Regulations of Law 8/2013. These two texts complete the transposition of the MiFID regulatory framework and Andorran legislation.

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).

However, under current regulations Andbank is subject to an annual independent review of the aforementioned processes.

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.

Andbank also encourages its employees to obtain recognised professional qualifications and to participate in ongoing training on the prevention of money laundering and the financing of terrorism.

Data protection

The Andbank Group is committed to protecting privacy, in accordance with the provisions of Law 29/2021 of 28 October on personal data protection. Andbank's regulatory compliance programme implements a set of procedures aimed at ensuring that customer information is treated lawfully, fairly and transparently and for legitimate purposes and is kept for only as long as necessary to allow processing, while ensuring data security. Incidents and complaints

The Andbank Group 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. 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%. In addition to the above requirements, at 31 December 2022 banks are required to maintain a capital conservation buffer of 1.25%, which must be met with CET1 capital. At 31 December 2022, Andbank's ratios were well above these minimum levels. In this regulatory environment, Andbank's capital ratios at 31 December 2022 are as follows:

	Fully phased-in	Transitional
CET1 ratio	13.63 %	14.32 %
Tier 1 ratio	15.05 %	15.71 %
Total capital ratio	15.05 %	15.71 %

Leverage ratio

In this regulatory framework, the Andbank Group is in a strong position, with a transitional leverage ratio of 5.39% at year-end 2022.

06

Corporate social responsibility report 2022

Corporate social responsibility report 2022

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.

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.

2. The Andbank Group

International accolades

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

Fitch took the view that the bank's profits and profitability are likely to continue to improve thanks to expansion of the volume of private banking business. It also highlighted Andbank's "satisfactory" capitalisation, its international presence and its adequate size in Andorra. It further noted the strong profits, the asset quality, the high level of provisions and the loan collateral.

Andbank Brazil was rated by Fitch Ratings for the second time, once again receiving 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.

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.

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		
2020	2021	2022
Claims 149	Claims 240	Claims 306
Complaints 72	Complaints 56	Complaints 45
Enquiries 18	Enquiries 3	Enquiries 1

Means Used		
2020	2021	2022
Letter: 2 %	Letter: 3%	Letter: 0.3%
Form: 1 %	Form: 3 %	Form: 1.13 %
Face-to-face: 61 %	Face-to-face: 73 %	Face-to-face: 84.16 %
Telephone: 2 %	Telephone: 1 %	Telephone: 0.85 %
Email: 34 %	Email: 20 %	Email: 13.56 %

Average response time		
2020	2021	2022
10.3 %	15 %	13.6 %

Percent of responses in less than one week		
2019	2020	2022
43 %	62 %	55 %

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.

Ironman

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.

Digital innovation

Since the COVID-19 crisis, there has been a change of trend in relations between the bank and its customers around the world. Solutions such as online banking or apps, and the ability to conduct relations with customers online, have come to the forefront.

For some time now Andbank has been driving the digital transformation and using technology differently to add more value to customers. The aim is not only to improve internal channels and the extent to which account managers' daily relations with customers can be automated, but also to listen to customers with a view to improving the tools and services provided.

Among the digital tools offered to customers are the online banking service and the app. The scope of these tools has been expanded and the software has been updated to include new functionalities for agile account management and investment monitoring.

The number of users of both tools has grown significantly. The increase in expectations and confidence in the new technologies is evident and is also a goal for improvement and investment in new formats, new features and more applications.

	2020	2021	2022
Digital users	13,586	16,344	19,495
App users	1,415	3,053	7,304

Following the global trend, at the end of November Andbank launched a 100% digital channel, Myandbank, to meet the needs of users in Andorra. The goal was to give an innovative response to the users' demands. With Myandbank, users have a 100% digital account they can manage by mobile phone, with the added convenience of being able to open the account from home. Moreover, it is completely free, with maintenance, cards and transfers all free of charge. Myandbank is also the first bank to offer the Bizum service in the whole of Spain. Initially, the account paid interest at 1%, a rate that will increase as the market situation develops.

This launch marks a further step in simplifying customers' relations with the bank.

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

The bank collaborates with the VHIO (Vall d'Hebron Institute of Oncology), headed by Dr. Josep Tabernero, who is also head of the Medical Oncology Department at Vall d'Hebron University Hospital, and the Fero Foundation.

Once again, the bank took part in the award of the 12th Fero – Andbank Scholarship at the traditional gala held in Madrid. The Chairman, Manel Cerqueda, presented the award to the winner, Dr. Alicia González Martín, a researcher at the Department of Biochemistry of the Universidad Autónoma de Madrid and the Instituto de Investigaciones Biomedicas "Alberto Sols" (IIB-CSIC/

UAM), for a project aimed at finding new therapeutic targets to enhance the immune response against lung cancer.

Andbank has also been a driving force in setting up a wig library for cancer patients through an agreement with the organisation Mechones Solidarios and the Kerala aesthetics and hairdressing centre. The wig library lends wigs free of charge to people who have lost, or are expecting to lose, their hair as a result of chemotherapy.

The bank started with five wigs but aims to increase the number as demand increases. A number of fundraising events have been organised for this purpose, including a hair donation drive on World Breast Cancer Day (19 October) with the slogan "Swap your hair for a smile" and a charity football match between resident YouTubers, who swapped their laptops and cameras for soccer boots.

Andbank and society

The Andbank Group's commitment to society goes beyond its financial contribution: it is driven by a deep awareness of the Group's social responsibility and includes support for organisations that work to improve the well-being of Andorran society.

In 2022, Andbank was 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 5th Pro Am tournament, held at the Sant Cugat Golf Club to raise money for the Sant Joan de Déu Hospital Paediatric Cancer Center.

- Nostra Senyora de Meritxell private foundation. Andbank has worked with the Nostra Senyora de Meritxell foundation for more than a decade. This private not-for-profit entity cares for people with disabilities and improves their quality of life by generating opportunities for a full and happy life.

- Andorran Family Business. Andbank collaborates each year in the Andorran Family Business Forum (EFA). The 20th edition was held in June with the title: 2022: challenges and trends for the Principality of Andorra.

- Ramaders d'Andorra. Andbank has entered into an agreement with the company Ramaders d'Andorra to provide a range of benefits that will make Andorra-produced meat more available in schools in Andorra and to raise awareness of the work of Andorran livestock farmers.

Cultural

- The 45th Literary Evening, organised each year by the Cercle de les Arts i les Lletres, was held, this time, in the parish of Sant Julià de Lòria. Andbank awarded the Manuel Cerqueda Escaler short fiction award to Francesc Puigpelat for La persecución. Collaboration with the Castell de Peralada Festival. In 2022 Andbank continued to support culture by sponsoring the festival's excellent music programme.

- Sponsorship of the autumn conference cycle in the municipality of Sant Julià de Lòria, with a long list of speakers who almost filled the municipal conference centre.

- Candle Night Candle Night, organised by the Ordino municipal authorities, was held once again, after a two-year break. On Candle Night, the squares, streets and gardens of Ordino are lit with 11,000 candles, and performances and free concerts are held in various places in the town.

Candlelight night

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. Increasingly, sports projects serve to buttress these values and so we continue to support a variety of sports initiatives and entities.

- Andorran Olympic Committee (COA). Andbank has sponsored the COA's activities for more than a decade. In 2022 Andorra took part in the Beijing Winter Olympics and the Mediterranean Games in Oran, Algeria.

- Andorran Ski Federation (FAE). Andbank has been sponsoring the FAE's cross-country skiing teams for more than a decade. The young skiers Irineu Esteve and Carola Vila achieved excellent results in the competitions they took part in and the youth team, with Gina del Rio and Quim Grioche, is on the ascendent.

- Andorran Swimming Federation (FAN). Andbank continued to support the swimming federation. In 2022 they took part in the European Youth Olympics Festival in Banská Bystrika and the European Championship in Rome, as well as in the Melbourne Short Pool World Championship.

- 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).

Ireneu Esteve – Photo: Modica Nordic Focus

- Ironman. Second 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-Pyrenees, an MTB stage race for two-member teams; and the Trail 100 Andorra-Pyrenees, a mountain race with four distances for athletes at all levels.

La Purito

- La Purito. The bicycle tour promoted by Joaquim "Purito" Rodríguez returned in August for its sixth edition, after two years of forced absence because of COVID-19, and with a limit of 1,800 participants. The tour featured Markel Irizar as guest cyclist, along with other well-known guests from the world of sport, including Carlos Checa, Oliver Avilés, Eder Sarabia and Oscar Lanza.

- Manuel Cerqueda Memorial Race. The Andorra Ski Club organised the 33rd edition of the traditional veterans' giant slalom.

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

- Olympus Race. Andbank took part in this obstacle course for the more strenuous athletes, especially those who are keen to overcome their limits.

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.

Aid measures carried out in 2022 included urgent aid for the war in Ukraine and for Hurricane Ian, which devastated the coast of Haiti, and the collection of medical supplies for Cuba.

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.

To continue to implement the Group's corporate social responsibility strategy, Andbank Spain supports projects and foundations relating to cancer research, such as the STAb cell project at the 12 de Octubre Hospital's immuno-oncology unit (CRIS), the Fero Foundation, and cancer research projects such as the Advanced Molecular Diagnosis Program (DIAMAV), as well as the Contigo Foundation against Women's Cancer, whose mission is to drive research projects that will help curb women's cancer.

It also supports healthcare foundations such as the Casaverde Foundation, which promotes lines of research and scientific, medical and technological innovation in the field of health; the ConecTEA Foundation, which seeks to improve the lives of people affected by Autism Spectrum Disorder (ASD); and the Kálida Foundation, which promotes a model of complementary, person-centred, comprehensive oncology support.

It also supports other disadvantaged groups through organisations such as the Order of Malta, the Meniños Foundation and Save the Children.

Andbank Brazil attended the 1st Women Invest Summit to present its investment philosophy and the bank's wealth management mission, underlining its commitment to work continuously to achieve and protect its customers' goals.

Women Invest Summit – SP Brazil

It also organised several meetings and presentations with customers from Rio de Janeiro, São Paulo, Fortaleza and Curitiba.

In Curitiba, CEO Leonardo Marques Hojaij and CIO Marcus Macedo spoke about the commercial strategy and service offering in Brazil, as well as the asset allocation and wealth management methodology.

A number of meetings were held with groups of customers to discuss and assess the global economic scenario and the outlook for future investments with our Global Chief Economist, Alex Fusté, and Group Chairman Manel Cerqueda Diez.

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.

In 2022, the bank approved an expansion of its energy saving plan to reduce energy consumption, aiming for an overall reduction of at least 15%. The measures were shared with the entire bank through an awareness programme aimed at encouraging employees to make responsible use of the facilities and keep consumption of office equipment, electricity and water to the unavoidable minimum.

The main impacts targeted by the expanded measures are:

- Paper consumption
- Electricity and diesel oil consumption
- Waste generation

Various initiatives have been launched to reduce these impacts and meet the targets, with steps to monitor implementation and measure progress:

- Reducing paper use and promoting digital formats (correspondence with customers, advertising, etc.)
- Waste separation (batteries, glass, plastic and cardboard)
- Reducing the amount of printing and printing double-sided and in black and white (printers have been replaced)
- Promoting the use of digital channels and new technologies

Materials

The main materials consumed in the bank are paper and toner. The reduction of toner consumption has continued with the installation of new printers. The campaign to use lower grammage paper is also continuing.

Materials Consumption Unit	2021	2022
Total consumption A4	10,330 kg	9,930 kg
Total consumption A3	350 kg	307 kg
Total consumption envelopes	670 kg	618 kg

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

WASTE GENERATED	2021	2022
Recyclable materials separated (t/kg)	220 kg	228 kg
Waste taken to landfill	480 kg	530 kg

WASTE RECYCLED	2021	2022
Paper	22,600 kg	21,620 kg
Batteries	55 kg	49 kg
Plastic caps	105 kg	97 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	2021	2022
Total electricity consumed	3,250,007 kWh	2,927,912 kWh
Electricity consumed/ employee	10,252 kWh	8,766 kWh
Total diesel oil consumed	253,902 m^3	147,350 m^3
Diesel oil consumed/ employee	801 m^3	441 m^3

Water	2021	2022
Total water consumed	5,611 m^3	5,900 m^3
Water consumed/ employee	17,7 m^3	17,7 m^3

07

Human team structure

Human team structure

The ANDBANK Group ended 2022 with a total workforce of 1,257 employees, of which 334 work in Andorra and the remaining 923 in the various subsidiaries (see chart).

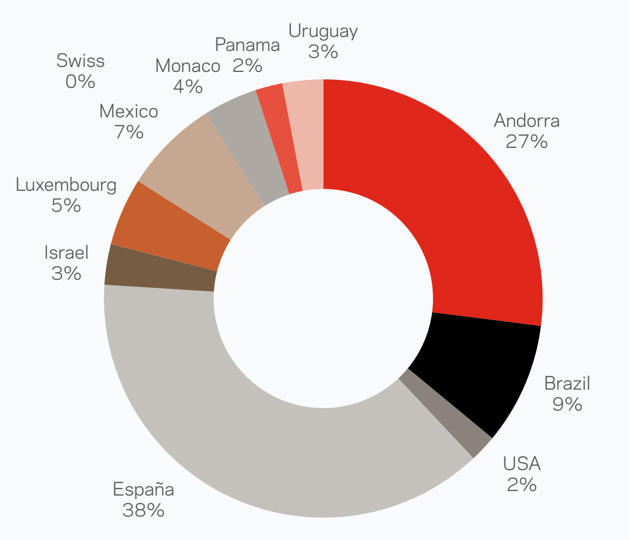
These figures represent growth of 2% compared to 2021.

Gender, age and length of service

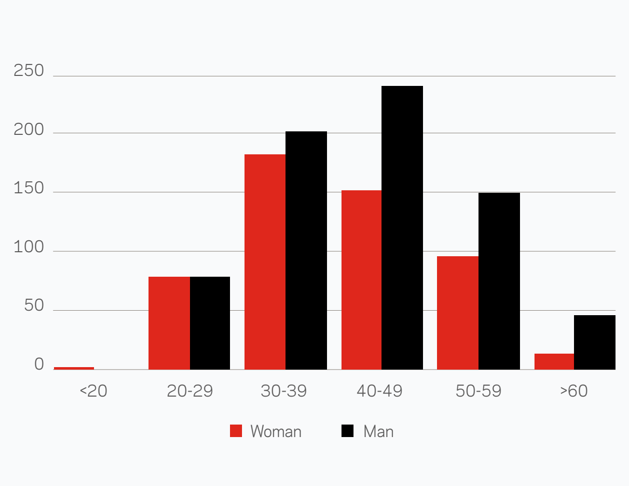
Of the total workforce, 41.53% are women and 58.47% are men.

The average length of service is approximately 7.5 years.

Employees by subsidiary



Average Age



	Women		Change	Men		Change	Total		Change
	2021	2022	2021 vs 2022	2021	2022	2021 vs 2022	2021	2022	2021 vs 2022
Number	506	522	3.2%	721	735	1.9%	1,227	1,257	2.4%
Average age	40.57	41.05	1.2%	42.65	42.96	0.7%	41.79	42	0.5%
Average length of service	7.72	7.54	-2.3%	7.23	7.45	3.0%	7.43	7.48	0.7%

By subsidiary, the average length of service is longest in Andorra (13 years) and shortest in Brazil (3 years).

The average age, as in 2021, is approximately 42 and the largest age group is the 40-49 group, which accounts for 31.19% of the total, followed by the 30-39 group, accounting for 30.55%.

Characteristics of the ANDBANK team

At present, the ANDBANK Group's workforce includes 33 nationalities, so diversity is a key characteristic.

We continue to recruit highly qualified staff, with 81% of employees in 2021 having a higher degree.

Developing talent

Given its commitment to people development and the need to be prepared for whatever professional challenges may arise, Andbank offers all employees training to expand and update their knowledge and acquire new skills in different subjects.

Employees have access to a wide range of training opportunities. The training activities can be classified in three groups:

- Regulatory training
- Supplementary training
- Continuing training

Regulatory training

This is all the training required by the laws and regulations governing the financial system. It is therefore mandatory for all employees and agents.

At Andbank, it is given through an internal tool called Campus Andbank. In 2022, a total of 23 training activities were carried out.

At the same time, 8 courses were given for new hires in Andorra.

The following are some the most important courses given:

- Training in the prevention of and fight against money and securities laundering and the financing of terrorism
- Personal data protection
- Information security
- Sustainable finance (ESG)
- Training in financial products

Supplementary training

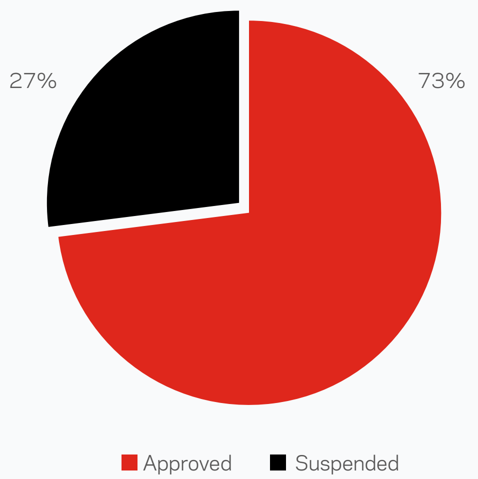
In various positions or departments this training is a recommendation, but there are cases where it is mandatory under applicable financial regulations.

Specifically, it has a direct impact in two important areas: Business and Regulatory Compliance.

In the Business area, training for the *European Investment Practitioner* (EIP) certificate may be recommended or required, depending on each person's position, as a prerequisite to be able to deliver a good service. The option of studying for Level II European Financial Advisor (EFA) certification is also available.

A total of 14 employees enrolled in preparatory courses for the examinations, 9 took the EIP examination and 6 passed. The rest are continuing with the preparatory course and will take the exam in 2023.

FIBA Course

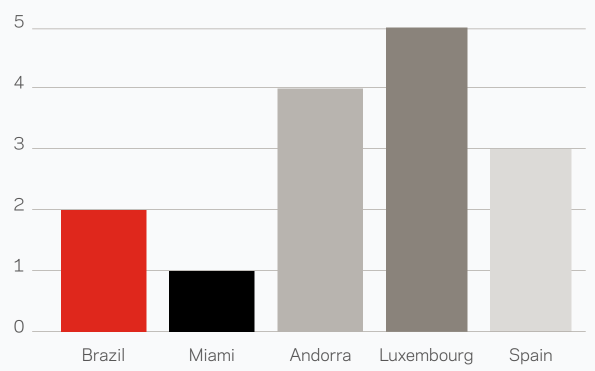


In the Regulatory Compliance area, training is provided through the Financial & International Business Association (FIBA), which offers a solid foundation of knowledge on the prevention of money laundering and financing of terrorism across all sectors. Ten Andbank Group employees enrolled in the *Anti-Money Laundering Certified Associate* (AMCL) course, 2 employees in the *Certified Professional in Anti-Money Laundering* (CPAML) course and 4 employees in the *Office of Foreign Assets Control* (OFAC) sanctions course. The pass rate in these courses is more than 70%.

Employees from all the subsidiaries participate in this training, as can be seen in the chart.

Andbank also has an online training platform that has been available to employees since 2020. Through Goodhabitz, employees have access to more than 300 courses in various fields: communication and languages, personal skills, health and safety, business development, productivity, team management, etc.

Training by subsidiaries



Continuing training

As a general rule, continuing training is also provided through the Andbank Campus. The aim is to keep Business Area employees and agents up to date in financial matters and thus also comply with the CNMV's 4/2017 technical guidelines.

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 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.

In summer 2022, a total of 24 young students joined corporate services in Andorra to complete internships of varying durations between the end of June and the beginning of September. Thirteen of these young people did their internships in the bank's various branches in Andorra, while the remaining 11 interned in different departments of the Andorra Business Centre.

Andbank Trainee Programme – long-term scholarships

In 2022, a total of 9 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, Markets, Infrastructure and Business.

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

Marta Bravo Pellisé
Deputy Chief Executive Officer
Estrategy & Business Area

Josep Xavier Casanovas Arasa
Deputy Chief Executive Officer
Finance Area

Pablo García Montañés
Deputy Chief Executive Officer
General Secretary

Santiago Mora Torres
Deputy Chief Executive Officer
Investment Area

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

USA

Andbanc Wealth Management, LLC
Hòlding

201 S Biscayne Blvd. Suite 1210
Miami FL 33131. USA
T. +1. 305. 702. 0600
info.miami@andbank.com

Andbanc Brokerage, LLC
Brokerage Firm

201 S Biscayne Blvd. Suite 1210
Miami FL 33131. USA
T. +1. 305. 702. 0600
info.miami@andbank.com

Andbanc Advisory, LLC
Asset Management Company and Investment Advisor

201 S Biscayne Blvd. Suite 1210
Miami FL 33131. USA
T. +1. 305. 702. 0600
info.miami@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.
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

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

SPAIN

Andbank España Banca Privada, S.A.U.
Banking License

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

MyInvestor Banco, 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

Merchbanc, EGFP, S.A.U.
Investment Fund Company

C/ Diputació, 279 4a. Planta
08007 Barcelona
(+34) 93 393 35 00

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

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

andbank.com