ANNUAL REPORT 2023

2023

ANDBANK

Private Bankers

Index

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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.

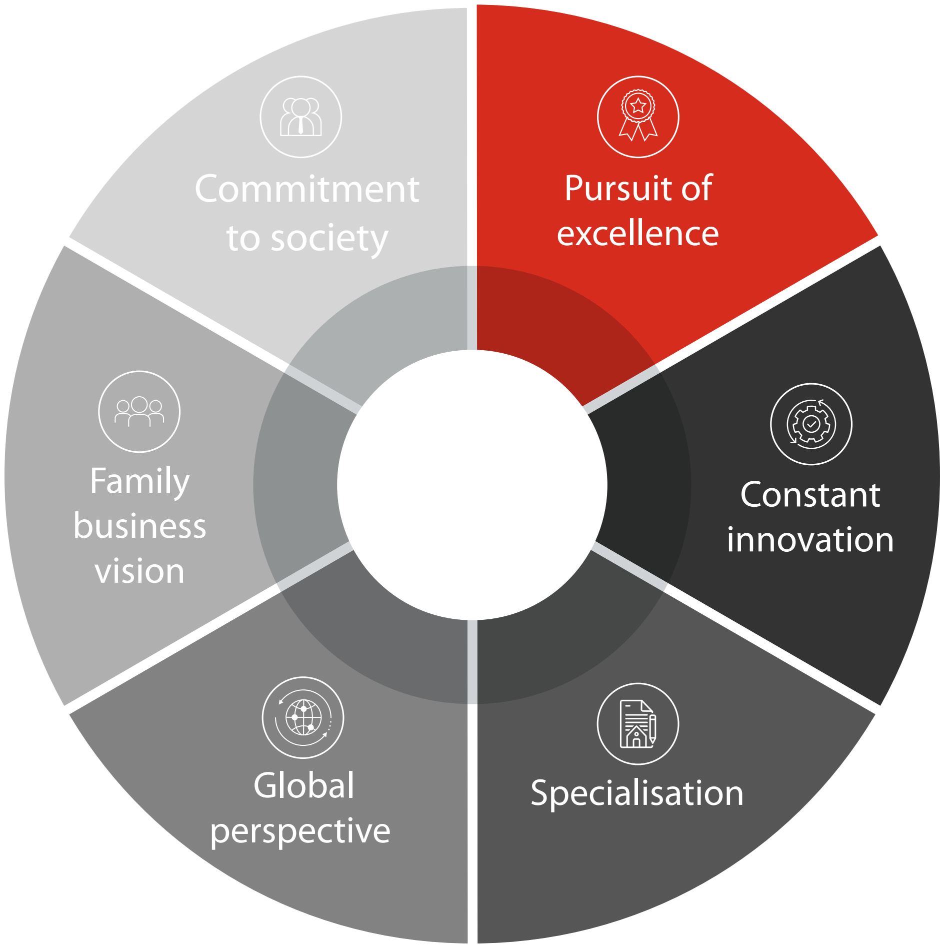
1.390	Professionals
7	Wealth managers
5	Banking licenses
5	Brokerage firms
5	Fund managers
3	Financial brokerage agencies
3	Investment advisers

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

Andbank Values

“

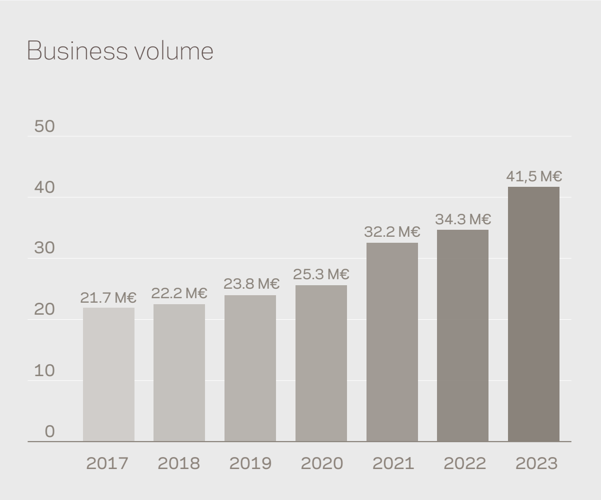
The values that unite us



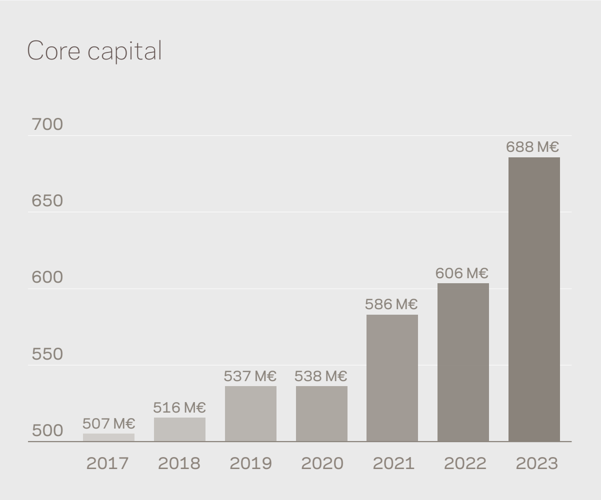
Key figures

41,5 MM€ Business volume	38,2 MM€ AUM
40 M€ Net profit	688 M€ Capital
83 M€ EBITDA	16,9 % TIER 1
290 % Liquidity LCR	51 % LTD
BBB Rating with a stable outlook	1,3 % NPL ratio

A bank that is growing



A sound bank



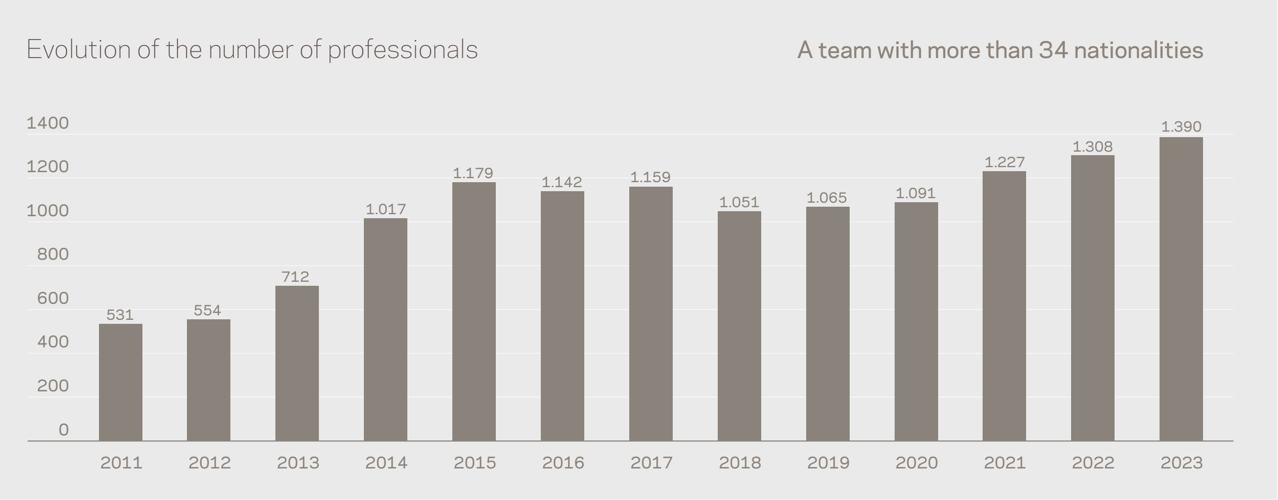
Dynamic and innovative

myinvestor

myandbank

Actyus

Diverse and multicultural



01

Letter from the Chairman

Letter from the Chairman

Manel Cerqueda Donadeu

Overall, 2023 could be remembered as a more favourable year than expected in economic terms. European growth remained low, but we avoided recession. The US economy, meanwhile, with consumption as the main driver, remained resilient, avoiding even the more benign soft landing scenarios. In terms of prices, inflation followed the expected declining pattern, confirming a clear disinflationary trend and a gradual move towards price stability. On the employment front, unemployment rates fortunately remained close to their lowest levels worldwide.

Central banks have continued to be the main guardians of the market. In the US and Europe, interest rates continued to rise throughout much of 2023, reaching a plateau at high levels and then starting to send messages of likely cuts in 2024. We thus ended the year with very ambitious expectations. The pace may be uncertain, but the direction of travel seems clear, especially in Europe: monetary easing.

In the financial markets, we can look back on an extraordinary 2023, with returns above 10% in many equity categories and with the largest cap companies and developed markets beating the emerging ones. In fixed income, the highest returns were in the riskiest assets (high yield, emerging). Trailing the rest are commodities, 2022's safe haven asset.

Progress has not always been easy or linear. To add to the ongoing war in Ukraine, geopolitical tensions in the Middle East flared up in the last quarter and in neither case, sadly, is there any prospect of a quick solution. On the financial front, in March we experienced an episode of instability linked to the solvency of US regional banks, which fortunately was contained through coordinated intervention by the fiscal and monetary authorities. Together with all this, a number of opportunities have emerged, including the acceleration of a new paradigm, Artificial Intelligence, which promises to become a driver of change, stimulating growth and productivity.

It is in this scenario that we completed the second year of our 2022-2024 strategic plan, a year in which our team of nearly 1,400 people pushed ahead with their efforts to grow the business in the 11 countries in which we are present on the basis of the values we believe in and which we like to think say so much about us, namely, honesty, proximity, transparency and trust.

Our specialisation is private banking, and we are forever searching for new products and investment ideas that will help us add more value to our clients' portfolios and continue to grow in our markets. With this shared goal and with the hard work and perseverance of our great team of professionals, we ended 2023 with a 33% increase in profit, to more than 40 million euros, with record profits in Spain, Luxembourg and Monaco and once again growing significantly in the Andorran market.

The Group's revenue reached 41,550 million euros, an increase of 21%. Loans and receivables increased by 4% to

3,225 million euros and assets under management grew 22% to 38,225 million euros, an increase of 7,084 million euros.

New business acquired (a vital statistic for us) totalled 4,810 million euros of assets under management, and the value added to client portfolios brought another 2,274 million euros of growth.

Gross income increased to 268 million euros, a rise of 18% year-on-year, and EBITDA (operating income before amortisation and depreciation) was 83 million euros, up 44%.

Among the main indicators, the highlight is the increase in equity to 688 million euros, lifting our solvency and liquidity ratios above the levels required under the Basel III accords and above the European average.

The Tier 1 capital ratio was 16.93% on a consolidated basis and 29.25% in Andorra. The liquidity coverage ratio (LCR) held steady at 290%, almost three times the regulatory minimum of 100%, and the loan-to-deposit (LTD) ratio was 51%. The non-performing loans (NPL) ratio fell to 1.3%, the lowest in the sector.

Fitch Ratings confirmed Andbank's BBB rating with a stable outlook, highlighting as key factors for this valuation the Group's international scale, moderate risk profile, conservative liquidity management, asset quality and specialisation in private banking. Once again this year, Andbank positioned itself as the bank with the best rating/outlook in Andorra.

Ongoing commitment to digitisation

For more than a decade we have been advancing technologically and adapting our systems and processes to become more efficient and constantly provide better service to clients. In this innovative, disruptive spirit, we are moving ahead with our online financial services initiatives, including MyInvestor in Spain and Myandbank in Andorra.

MyInvestor is a neobank owned by Grupo Andbank, AXA, El Corte Inglés and a number of family offices. In 2023 it posted its first-ever profits, totalling 2.4 million euros, with revenue of 4,373 million euros and more than 220,000 customers. During the year it also completed a 45 million capital raising, bringing in prestigious new shareholders to finance the neobank's strong growth.

Myandbank, Andbank's online channel in Andorra, ended the year with 13,800 customers and revenue of 95 million euros, demonstrating the Andorran market's acceptance of fully digital solutions with value-added investment products and low fees.

The most notable corporate transaction in the countries in which we are present was, in Spain, MyInvestor's acquisition of Helloteca, a digital mortgage processing and management platform, and, in Israel, in partnership with Clarity Capital Group, the acquisition of a majority interest in Sigma. At group level we have taken further steps to grow our venture capital manager, Actyus.

Commitment

At Andbank we are highly committed to the society around us and are proud of it. In 2023, we continued to strengthen our corporate social responsibility activities, especially in one of our main lines of action: support for cancer research. Thus, last year we continued to support the SJD Pediatric Cancer Center in Barcelona, the FERO Foundation, the CRIS Foundation against Cancer and the Contigo Foundation.

Over the past year we also undertook a number of initiatives with NGOs to support institutions working in the communities in which the Group operates.

We hope that the commitment we show to our clients every day by constantly seeking excellence in service, coupled with the commitment to our teams based on respect and companionship and the commitment to those disadvantaged groups that we try to help to the best of our ability, will continue to earn us the trust of our clients. To them, on behalf of the shareholders and the Board of Directors of the Andbank Group, I convey our most sincere thanks for their loyalty.

02

Report audit

Report audit

Deloitte.

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Traducción de un informe originalmente emitido en catalán, basado en nuestro trabajo realizado de acuerdo con las Normas Internacionales de Auditoría. En caso de discrepancia, prevalecerá la versión emitida en catalán.

INFORME DE AUDITORIA EMITIDO POR UN AUDITOR INDEPENDIENTE

A los accionistas de Andorra Banc Agrícol Reig, SA,

Opinión

Hemos auditado los estados financieros consolidados adjuntos de la sociedad Andorra Banc Agrícol Reig, SA (la Sociedad dominante) y sociedades que componen el Grupo Andbank (el Grupo), que comprenden el estado de situación financiera consolidado a 31 de diciembre de 2023, el estado de resultados consolidado, el estado de cambios en el patrimonio neto consolidado y el estado de flujos de efectivo consolidado correspondientes al ejercicio terminado en esta fecha, así como las notas a los estados financieros consolidados que incluyen un resumen de las políticas contables significativas.

Según nuestra opinión, los estados financieros consolidados adjuntos expresan, en todos los aspectos materiales, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada del Grupo a 31 de diciembre de 2023, así como de sus resultados y flujos de efectivo, todos ellos consolidados, correspondientes al ejercicio terminado en esta fecha, de conformidad con las Normas Internacionales de Información Financiera adoptadas en la Unión Europea (NIIF-UE) que han sido a su vez adoptadas por Andorra (NIIF-Andorra).

Fundamento de la opinión

Hemos llevado a cabo nuestra auditoria de conformidad con las Normas Internacionales de Auditoría (NIA). Nuestras responsabilidades de acuerdo con estas normas se describen más adelante en la sección *Responsabilidades del auditor en relación con la auditoría de los estados financieros consolidados* de nuestro informe.

Somos independientes del Grupo de conformidad con los requerimientos de ética aplicables a nuestra auditoría de los estados financieros consolidados, que figuran recogidos en el Código de Ética para profesionales de la Contabilidad del Consejo de Normas Internacionales de Ética (Código de Ética del IESBA), y hemos cumplido las otras responsabilidades de ética de conformidad con estos requerimientos.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión.

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

Otra información

Los administradores de la Sociedad son responsables de la otra información. La otra información comprende el informe anual consolidado del ejercicio 2023 en los términos establecidos en el artículo 90 de la Llei 35/2018, del 20 de diciembre, de solvencia, liquidez y supervisión prudencial de entidades bancarias y empresas de inversión, pero no incluye ni los estados financieros consolidados ni nuestro informe de auditoría correspondiente.

Nuestra opinión sobre los estados financieros consolidados no cubre la otra información y no expresamos ninguna forma de conclusión que proporcione un grado de seguridad sobre ésta.

En relación con nuestra auditoría de los estados financieros consolidados, nuestra responsabilidad es leer la otra información y, al hacerlo, considerar si existe una incongruencia material entre la otra información y los estados financieros consolidados o el conocimiento obtenido por nosotros en la auditoria o si parece que existe una incorrección material en la otra información por algún motivo. Si, basándonos en el trabajo que hemos realizado, concluimos que existe una incorrección material en esta otra información, estamos obligados a informar de ello. No tenemos nada a informar referente a esto.

Responsabilidades de los administradores y de la comisión de auditoría y cumplimento en relación con los estados financieros consolidados

Los administradores de la Sociedad dominante son responsables de formular los estados financieros consolidados adjuntos, de forma que expresen la imagen fiel del patrimonio consolidado, de la situación financiera consolidada y de los resultados consolidados del Grupo, de conformidad con las Normas Internacionales de Información Financiera adoptadas en la Unión Europea (NIIF-UE) que han sido a su vez adoptadas por Andorra (NIIF-Andorra), y del control interno que consideren necesario para permitir la preparación de los estados financieros consolidados libres de incorrección material, debida a fraude o error.

En la preparación de los estados financieros consolidados, los administradores de la Sociedad dominante son responsables de la valoración de la capacidad del Grupo para continuar como empresa en funcionamiento, revelando, según corresponda, las cuestiones relacionadas con la empresa en funcionamiento y utilizando el principio contable de empresa en funcionamiento excepto si los administradores de la Sociedad dominante tienen intención de liquidar el Grupo o de cesar sus operaciones, o bien no exista otra alternativa realista.

La Comisión de Auditoría de la Sociedad dominante es responsable de la supervisión del proceso de elaboración y presentación de los estados financieros consolidados.

Responsabilidades del auditor en relación con la auditoria de los estados financieros consolidados

Nuestros objetivos son obtener una seguridad razonable de que los estados financieros consolidados en su conjunto están libres de incorrección material, debida a fraude o error, y emitir un informe de auditoría que contenga nuestra opinión.

Seguridad razonable es un alto grado de seguridad, pero no garantiza que una auditoría realizada de conformidad con las NIA siempre detecte una incorreción material cuando existe. Las incorrecciones pueden ser debidas a fraude o error y se consideran materiales si, individualmente o en conjunto, se puede prever razonablemente que influyan en las decisiones económicas que toman los usuarios basándose en los estados financieros consolidados.

Una descripción más detallada de nuestras responsabilidades en relación con la auditoria de los estados financieros consolidados se encuentra en el Anexo I a este informe de auditoría. Esta descripción es parte integrante de nuestro informe de auditoría.

DELOITTE ANDORRA AUDITORS I ASSESSORS, S.L.

Álvaro Quintana

27 de marzo de 2024

Anexo I de nuestro informe de auditoría

Adicionalmente a aquello que incluye nuestro informe de auditoría, en este Anexo incluimos nuestras responsabilidades en relación con la auditoría de los estados financieros consolidados.

Responsabilidades del auditor en relación con la auditoría de los estados financieros consolidados

Como parte de una auditoria de conformidad con las NIA, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. Así mismo:

- Identificamos y valoramos los riesgos de incorrección material en los estados financieros consolidados, debidos a fraude o error, diseñamos y aplicamos procedimientos de auditoria para responder a estos riesgos y obtenemos evidencia de auditoria suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una incorreción material debida a fraude es más elevado que en el caso de una incorrección material debida a error, dado que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas, o la elusión del control interno.

- Obtenemos conocimiento del control interno relevante para la auditoría con la finalidad de diseñar procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno del Grupo.

- Evaluamos la adecuación de las políticas contables aplicadas y la razonabilidad de las estimaciones contables y la correspondiente información revelada por los administradores de la Sociedad dominante.

- Concluimos sobre la adecuación de la utilización, por los administradores de la Sociedad dominante, del principio contable de empresa en funcionamiento y, basándonos en la evidencia de auditoría obtenida, concluimos sobre si existe o no una incertidumbre material relacionada con hechos o con condiciones que puedan generar dudas significativas sobre la capacidad del Grupo para continuar como empresa en funcionamiento. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en los estados financieros consolidados o, si estas revelaciones no son adecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, los hechos o condiciones futuras pueden ser la causa de que el Grupo deje de ser una empresa en funcionamiento.

- Evaluamos la presentación global, la estructura y el contenido de los estados financieros consolidados, incluida la información revelada, y si los estados financieros consolidados representan las transacciones y hechos subyacentes de forma que consigan la presentación fiel.

- Obtenemos evidencia suficiente y adecuada en relación con la información de las entidades o actividades empresariales dentro del Grupo para expresar una opinión sobre los estados financieros consolidados del Grupo. Somos responsables de la dirección, supervisión y realización de la auditoría del Grupo. Somos los únicos responsables de nuestra opinión de auditoría.

Nos comunicamos con la Comisión de Auditoría de la Sociedad dominante en relación con, entre otras cuestiones, el alcance y el momento de la realización de la auditoria planificados y los hallazgos significativos de la auditoría, así como cualquier deficiencia significativa del control interno que identificamos en el transcurso de la auditoría.

También proporcionamos a la Comisión de Auditoría de la Sociedad dominante una declaración de que hemos cumplido los requerimientos de ética aplicables, incluidos los de independencia, y nos hemos comunicado con la misma para informar de aquellas cuestiones que razonablemente puedan suponer una amenaza para nuestra independencia y, en su caso, de las correspondientes salvaguardas.

03

Financial statements Andbank Group

INDEX FOR THE CONSOLIDATED ANNUAL ACCOUNTS

APPENDIX

Statement of financial position

		Thousands of Euros
ASSETS	**31/12/23**	**31/12/22**
Cash, cash balances at central banks and other demand deposits (note 5)	**2,631,816**	**541,699**
Cash on hand	15,865	19,024
Cash balances at central banks	2,332,131	106,445
Other demand deposits	283,820	416,230
Financial assets held for trading (note 6)	**246,671**	**389,342**
Derivatives	145,835	169,897
Equity instruments	171	239
Debt securities	100,665	219,206
Non-trading financial assets mandatorily at fair value through profit or loss (note 7)	**7,626**	**8,399**
Equity instruments	7,626	8,399
Financial assets designated at fair value through profit or loss (note 8)	**22,046**	**11,802**
Debt securities	20,004	11,802
Loans and advances	2,042	-
Financial assets at fair value through other comprehensive income (note 9)	**380,518**	**232,704**
Equity instruments	6,512	7,064
Debt securities	374,006	225,640
Financial assets at amortised cost (note 10)	**4,382,815**	**5,032,023**
Debt securities	626,673	680,463
Loans and advances	3,756,142	4,351,560
Derivatives - Hedge accounting (note 11)	**11,678**	**19,180**
Fair value changes of the hedged items in portfolio hedge of interest rate risk (note 11)	**(9,027)**	**(13,629)**
Investments in subsidiaries, joint ventures and associates (note 12)	**3,781**	**3,289**
Assets under insurance and reinsurance contracts	**18,962**	**14,456**
Tangible assets (note 13)	**144,603**	**118,469**
Property, plant and equipment	97,298	104,837
Investment property	47,305	13,632
Intangible assets (note 14)	**225,741**	**241,752**
Goodwill	119,680	132,668
Other intangible assets	106,061	109,084
Tax assets (note 15)	**30,025**	**34,845**
Current tax assets	4,245	5,841
Deferred tax assets	25,780	29,004
Other assets (note 16)	**100,999**	**101,021**
Non-current assets and disposal groups classified as held for sale (note 17)	**472,961**	**209,964**
TOTAL ASSETS	**8,671,215**	**6,945,316**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2023.
The financial statements for 2022 are also included for comparative purposes (see note 2.c and d).

Statement of financial position

		Thousands of Euros
LIABILITIES	**31/12/23**	**31/12/22**
Financial liabilities held for trading (note 6)	**98,539**	**91,691**
Derivatives	98,539	91,691
Financial liabilities designated at fair value through profit or loss	**-**	**-**
Financial liabilities measured at amortised cost (note 18)	**7,359,349**	**5,982,785**
Deposits	6,948,202	5,436,982
Debt securities issued	313,539	443,133
Other financial liabilities	97,608	102,670
Derivatives - Hedge accounting (note 11)	**41**	**1,032**
Fair value changes of the hedged items in portfolio hedge of interest rate risk (note 11)	**-**	**-**
Liabilities under insurance and reinsurance contracts	**18,845**	**14,456**
Provisions (note 19)	**18,015**	**17,524**
Tax liabilities (note 15)	**15,895**	**14,919**
Current tax liabilities	8,747	5,834
Deferred tax liabilities	7,148	9,085
Share capital repayable on demand	**-**	**-**
Other liabilities (note 16)	**105,940**	**97,869**
Liabilities included in disposal groups classified as held for sale (note 17)	**366,586**	**118,266**
TOTAL LIABILITIES	**7,983,210**	**6,338,542**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2023.
The financial statements for 2022 are also included for comparative purposes (see note 2.c and d).

Statement of financial position

		Thousands of Euros
CAPITAL AND RESERVES	31/12/23	31/12/22
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)	**49,050**	**33,950**
Other equity instruments issued	49,050	33,950
Accumulated other comprehensive income (note 21)	**(37,037)**	**(44,061)**
Items that will not be classified to profit or loss	**49**	**(52)**
Intangible assets	93	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	(44)	(52)
Items that may be reclassified to profit or loss	(37,086)	(44,009)
Foreign currency translation	(28,883)	(30,347)
Hedging derivatives Cash flow hedges (effective portion)	(228)	1,876
Fair value changes of debt instruments measured at fair value through other comprehensive income	(7,975)	(15,538)
Retained earnings (note 20)	**461,763**	**455,467**
Other reserves (note 20)	**(49,913)**	**(61,911)**
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates	113,598	101,600
Other	(163,511)	(163,511)
(-) Treasury shares	**(2,307)**	**(2,307)**
Profit or loss attributable to owners of the Parent	**40,060**	**30,123**
Minority interests (non-controlling interests)	**39,106**	**8,230**
Accumulated other comprehensive income	39,106	8,230
TOTAL EQUITY	**688,005**	**606,774**
TOTAL EQUITY AND LIABILITIES	**8,671,215**	**6,945,316**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2023.
The financial statements for 2022 are also included for comparative purposes (see note 2.c and d).

Statement of financial position

		Thousands of Euros
INCOME STATEMENT	31/12/23	31/12/22
Interest income (note 24)	**210,392**	**69,683**
Financial assets held for trading	6,148	2,516
Financial assets designated at fair value through profit or loss	496	334
Financial assets at fair value through other comprehensive income	8,544	3,085
Financial assets at amortised cost	195,198	63,745
Other assets	6	3
(Interest expenses) (note 24)	**(103,957)**	**(27,004)**
(Financial liabilities measured at amortised cost)	(102,924)	(25,847)
(Derivatives - Hedge accounting, interest rate risk)	(534)	(296)
(Other liabilities)	(499)	(861)
(Expenses on share capital repayable on demand)	**-**	**-**
Dividend income (note 25)	**220**	**312**
Non-trading financial assets mandatorily at fair value through profit or loss	102	104
Financial assets at fair value through other comprehensive income	118	208
Fee and commission income (note 26)	**220,535**	**214,121**
(Fee and commission expenses) (note 27)	**(90,254)**	**(80,928)**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (note 28)	**86**	**1,233**
Financial assets at fair value through other comprehensive income	69	1,376
Financial assets at amortised cost	17	(143)
Financial assets at fair value through other comprehensive income	**-**	**-**
Gains or losses on financial assets and liabilities held for trading, net (note 28)	**28,207**	**39,617**
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net (note 28)	**(50)**	**(19)**
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net (note 28)	**418**	**(1,462)**
Gains or losses from hedge accounting, net (note 28)	**(59)**	**(1,932)**
Exchange differences (gain or loss), net (note 29)	**6,795**	**8,814**
Gains or losses on derecognition of non-financial assets, net	**667**	**797**
Other operating income (note 30)	**4,867**	**10,938**
(Other operating expenses) (note 30)	**(10,267)**	**(7,691)**
TOTAL OPERATING INCOME/EXPENSES, NET	**267,600**	**226,479**
(Administrative expenses) (note 31)	**(184,417)**	**(168,647)**
(Staff expenses)	(121,426)	(112,448)
(Other administrative expenses)	(62,991)	(56,199)
(Amortisation and depreciation)	**(30,899)**	**(30,402)**
(Property, plant and equipment) (note 13)	(17,356)	(17,456)
(Investment properties) (note 13)	(24)	(80)
(Other intangible assets) (note 14)	(13,519)	(12,866)
Modification gains or losses, net	**-**	**-**
(Provisions or reversal of provisions) (note 32)	**(286)**	**143**
(Commitments and guarantees given)	(36)	(8)

INCOME STATEMENT	31/12/23	31/12/22
		Thousands of Euros
(Other provisions)	(250)	151
(Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss) (note 33)	**5,841**	**1,257**
(Financial assets at fair value through other comprehensive income)	224	(301)
(Financial assets at amortised cost)	5,617	1,558
(Impairment of reversal of impairment on investments in subsidiaries, joint ventures and associates)	**-**	**(778)**
(Impairment or reversal of impairment on non-financial assets) (note 34)	**(626)**	**(281)**
(Property, plant and equipment)	150	9
(Goodwill)	(650)	-
(Other intangible assets)	(126)	(130)
(Other)	-	(160)
Negative goodwill recognised in profit or loss (note 3)	**-**	**-**
Share of the profit or loss of investments in subsidiaries, joint ventures and associates	**1,059**	**631**
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (note 35)	**(5,621)**	**(313)**
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**52,651**	**28,089**
(Tax expense or income related to profit or loss from continuing operations) (note 37)	(12,112)	1,735
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**40,539**	**29,824**
Profit or loss after tax from continuing operations	**-**	**-**
PROFIT OR LOSS FOR THE YEAR	**40,539**	**29,824**
Attributable to minority interest (non-controlling interests)	479	(299)
Attributable to owners of the Parent	**40,060**	**30,123**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2023.
The financial statements for 2022 are also included for comparative purposes (see note 2.c and d).

Statement of comprehensive income

Thousands of Euros

STATEMENT OF COMPREHENSIVE INCOME	31/12/23	31/12/22
Profit or loss for the year	**40,539**	**29,824**
Other comprehensive income	**7,024**	**(3,804)**
Items that will not be classified to profit or loss	**101**	**(37)**
Intangible assets	93	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	9	(41)
Income tax relating to items that will not be reclassified	(1)	4
Items that may be reclassified to profit or loss	**6,923**	**(3,768)**
Foreign currency translation	1,463	5,506
Translation gains or losses taken to equity	1,463	5,506
Hedging derivatives Cash flow hedges (effective portion)	(2,338)	2,840
Valuation gains or losses taken to equity	(2,338)	2,840
Debt instruments at fair value through other comprehensive income	8,405	(13,144)
Valuation gains or losses taken to equity	8,405	(13,144)
Income tax relating to items that may be reclassified to profit or loss	(607)	1,030
Total comprehensive income for the year	**47,563**	**26,020**
Attributable to minority interest (non-controlling interest)	479	(299)
Attributable to owners of the Parent	47,084	26,319

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2023.
The financial statements for 2022 are also included for comparative purposes (see note 2.c and d).

Statement of changes in equity

	Capital	Share premium	Equity instruments issued other than capital	Accumulated other comprehensive income
Balance at 31 December 2022	**83,441**	**103,842**	**33,950**	**(44,061)**
Effects of correction of errors	-	-	-	-
Effects of changes in accounting policies	-	-	-	-
Balance at 1 January 2023	**83,441**	**103,842**	**33,950**	**(44,061)**
Issuance of preference shares	-	-	15,100	-
Exercise or expiration of other equity instruments issued	-	-	-	-
Dividends	-	-	-	-
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	-	-	-	7,024
Balance at 31 December 2023	**83,441**	**103,842**	**49,050**	**(37,037)**

	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)**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2023. The financial statements for 2022 are also included for comparative purposes (see note 2.c and d).

Thousands of Euros

	Retained earnings	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the Parent	Minority interests Accumulated other comprehensive income	Total
	455,467	**(61,911)**	**(2,307)**	**30,123**	**8,230**	**606,774**
	-		-	-	-	-
	-	-	-	-	-	-
	455,467	**(61,911)**	**(2,307)**	**30,123**	**8,230**	**606,774**
	-	-	-	-	-	15,100
	-	-	-	-	-	-
	(5,000)	-	-	-	-	(5,000)
	13,008	-	-	(30,123)	-	(17,115)
	-	9,600	-	-	-	9,600
	(1,712)	2,398	-	-	30,397	31,083
	-	-	-	40,060	479	47,563
	461,763	**(49,913)**	**(2,307)**	**40,060**	**39,106**	**688,005**

Thousands of Euros

	Retained earnings	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the Parent	Minority interests Accumulated other comprehensive income	Total
	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

	STATEMENT OF CASH FLOWS	31/12/23	31/12/22
A.	**Cash flows from/(used in) operating activities**	**2,210,141**	**(608,696)**
	Profit for the year	40,060	30,122
	Adjustments to obtain cash flows from operating activities	30,280	26,635
	Depreciation and amortisation	30,898	30,402
	Other adjustments	(618)	(3,767)
	Net increase/(decrease) in operating assets	616,054	(1,637,380)
	Financial assets held for trading	142,669	(167,422)
	Non-trading financial assets mandatorily at fair value through profit or loss	(9,471)	2,406
	Financial assets at fair value through other comprehensive income	(139,121)	(25,781)
	Financial assets at amortised cost	625,430	(1,421,259)
	Other operating assets	(3,453)	(25,324)
	Net increase/(decrease) in operating liabilities	1,518,716	972,822
	Financial liabilities held for trading	6,848	33,844
	Financial liabilities measured at amortised cost	1,501,174	931,686
	Other operating liabilities	10,694	7,292
	Income tax receivable/payable	5,030	(895)
B.	**Cash flows from/(used in) investing activities**	**1,637**	**(26,098)**
	Payments	(278,212)	(54,323)
	Tangible assets	(9,254)	(9,834)
	Intangible assets	(10,496)	(9,903)
	Subsidiaries and other business units	-	(203)
	Non-current assets and liabilities classified as held for sale	(258,461)	(34,383)
	Amounts received	279,849	28,225
	Tangible assets	2,566	8,432
	Subsidiaries and other business units	26,165	15,098
	Non-current assets and liabilities classified as held for sale	251,117	4,695
C.	**Cash flows from/(used in) financing activities**	**(121,660)**	**97,095**
	Payments	(136,760)	(2,193)
	Dividends	(5,000)	-
	Debt securities	(129,594)	-
	Redemption of own equity instruments	(2,166)	(2,193)
	Acquisition of own equity instruments	-	-
	Amounts received	15,100	99,288
	Debt securities	-	99,288
	Issue of own equity instruments	15,100	-
D)	**Effect of exchange rate fluctuations**	**-**	**-**
E)	**Net increase/(decrease) in cash and cash equivalents (a+b+c+d)**	**2,090,117**	**(537,699)**
F)	**Cash and cash equivalents at the beginning of the period**	**541,699**	**1,079,398**
G)	**Cash and cash equivalents at end of the period**	**2,631,816**	**541,699**

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2023.
The financial statements for 2022 are also included for comparative purposes (see note 2.c and 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 46, 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 007, 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 2023 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 2023 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 2023 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 2022, prepared in accordance with IFRS-Andorra and IFRS-EU in force in 2022, were approved by the shareholders at a general meeting held on 27 April 2023. The 2023 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 2023 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 2022 and consolidated notes thereto, prepared in accordance with standards prevailing in 2022, is presented solely and exclusively for the purpose of comparison with the information for 2023 and therefore does not constitute consolidated annual accounts of the Andbank Group for 2023.

Sigma-Clarity, Ltd sale agreement

As mentioned in note 3 a), during 2023 a non-binding letter of intent transactional proposal was signed. In February 2024 a transaction agreement was signed, pending the pertinent regulatory authorisations.

Intention to sell Columbus de México, S.A. de CV

As mentioned in note 3 a), during 2023 Andbank declared its intention to divest the investee Columbus de México, S.A. de CV (affiliate of the Zumzeiga Group) through a corporate transaction under negotiation.

As established in IFRS 5, asset and liability balances for these companies for sale were 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 2023. Likewise, as required by IFRS 5, gains generated or losses incurred by these companies from the moment that the sale is considered 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 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 2023 include comparative figures for 2022, which do not differ from those approved by the shareholders at a general meeting held on 27 April 2023.

During 2023 no changes in accounting criteria have arisen, or have any corrections been made to misstatements which have a significant effect on the consolidated profit for the year or on the consolidated balance sheet.

▪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 2023

During 2023 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 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 (**)
Amendments to IAS 12. International tax reform - Pillar two model rules Earlier application	The amendments introduce a **mandatory temporary exception** for the accounting treatment of deferred taxes arising from jurisdictions implementing the Pillar two rules and the disclosure requirements for affected entities, to help users of financial statements better understand an entity's exposure to Pillar two taxes.	Immediately and on 1 January 2023 (***)

(*) 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.
(**) Earlier application is permitted on or after 1 January 2023.
(***) Immediate application. The disclosure requirements are required for the annual periods beginning on or after 1 January 2023.

The application of these standards, amendments and interpretations during the first few months of 2023 has not entailed any significant impact on the consolidated financial statements, or on the early application of IFRS 17 by the Group in 2023.

▪h. Recent IFRS pronouncements

During 2024 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. 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

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

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

Standards and interpretations pending approval for their adoption in the European Union and Andorra.		Mandatory adoption - years beginning on or after:
Amendments to IAS 7 and IFRS 7. Supplier finance arrangements	To add disclosure requirements for the purpose of providing qualitative and quantitative information about **supplier finance arrangements**.	1 January 2024
Amendments to IAS 21. The effects of changes in foreign exchange rates: lack of exchangeability	The aim of this amendment is to clarify **when it is considered that a currency is exchangeable into another currency** and how to **estimate the spot exchange rate** when it is considered that a currency **lacks exchangeability**.	1 January 2025

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 2023 and 2022 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 must be derecognised from the consolidated statement of financial position and the fair value of the consideration received as well as any retained investment is recognised. The difference between both these amounts is recognised in the consolidated income statement.

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

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

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

(iii). Associates

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

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

Prior to consolidation, the financial statements of the associates are harmonised with IFRS-EU.

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

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

(iv). Business combinations

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

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

- The sum of the fair value of the consideration transferred, the non-controlling interests and the previously held equity interest in the entity or acquiree.
- The total net identifiable assets acquired and liabilities assumed, measured at fair value.

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

(v). Andbank Group companies

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

A brief description of the significant events arising in the Andbank Group companies during 2023 and 2022 is as follows:

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 has sought with these operations are as follows:

- Due to considering the Andbank España Group held two different banking licences, as a result of the corporate reorganisation it independently carried out retail banking activity for one of the licences and private banking activity for the other licence. This boosts 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; and Finanbolt, SLU). On 21 February 2023, the AFA granted prior authorisation with no opposition to such transaction.

During 2022, the AFA registered several 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 16 February 2023 the AFA informed of the registration of the sale by Andbank Wealth Management SGIIC, SAU of 5% of the shares in MyInvestor, SA to MyInvestor Banco, SAU.

On 24 March 2023 the AFA informed of the registration of the sale by MyInvestor Banco, SAU of 4% of the shares in MyInvestor, SA to Andorra Banc Agrícol Reig, SA.

On 30 March 2023 the AFA granted prior authorisation for the issue of preference stakes which were not convertable or exchangable into shares, could not be accumulated and were perpetual for a nominal amount of Euros 20 million, with the possibility of partial subscription by the affiliate MyInvestor Banco, SAU. On the same date, the AFA granted prior authorisation to Andorra Banc Agrícol Reig, S.A. for the inscription of upto 50% of the aforementioned preference stakes.

On 29 June 2023 the AFA granted prior authorisation to increase the aforementioned issue of stakes by Euros 5 million.

On 30 September 2023, Andorra Banc Agrícol Reig, SA acquired an amount of Euros 9,900 thousand, recorded in the AFA register on 12 July 2023.

On 2 August 2023 Andorra Banc Agrícol Reig, SA requested prior authorisation from the AFA so that MyInvestor Banco, SAU could issue an additional Euros 15 million of preference stakes, reaching a total nominal amount issued of Euros 40 million. The AFA granted prior authorisation for this transaction on 2 October 2023.

On 9 March 2023, as part of the internal restructuring of the Andbank Group in Spain, Andorra Banc Agrícol Reig, SA requested prior authorisation from the AFA to proceed with the merger of MyInvestor Banco (absorbing company) and MyInvestor, SA, Belambe and Finanbest (absorbed companies), in order to unify the retail banking of the Andbank Group in Spain into one company. Both the AFA and the Ministry of Economic Affairs and Digital Transformation granted this authorisation on 23 October 2023 and 27 July 2023, respectively. As a result of this merger:

- MyInvestor Banco received as a block and by universal succession all of the assets and liabilities of MyInvestor, SA, Belambe and Finanbest AV, with these companies being wound up without liquidation after the merger.
- The shareholders of MyInvestor, other than MyInvestor Banco (minority shareholders), received in exchange newly issued shares of MyInvestor Banco, SAU.
- The MyInvestor shares held by MyInvestor Banco were not exchanged and therefore, were redeemed due to the merger; and
- MyInvestor Banco, SAU increased share capital by Euros 13,878 thousand.

On 19 December 2023 the AFA granted prior authorisation for an increase in MyInvestor Banco, SAU's capital, as follows:

- By capitalising loans: Nominal amount of Euros 166 thousand and share premium of Euros 754 thousand; and
- Through monetary contributions: Nominal amount of Euros 3,503 thousand and share premium of Euros 15,497 thousand.

These capital increases were carried out on 20 December 2023 before a notary and entered in the Madrid Mercantile Registry on 13 February 2024.

During 2023 the AFA registered different share purchases of MyInvestor Banco, SAU shares by Andorra Banc Agrícol Reig, SA, with Andbank holding a 53.62% stake at 31 December 2023.

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, SAU, 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 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 for 2023 and for 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 2024.

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 and 2023 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 (see note 17).

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. The AFA registered this restructuring transaction on 12 May 2023. On 29 June 2023, the AFA entered in the corresponding register the amendment to the by-laws relating to the change in name of Sigma-Clarity, Ltd.

On 19 May 2023 the AFA granted prior authorisation without opposition, to increase the capital of the affiliate Sigma Financial Planning Pensions Insurance Agency 2011, Ltd, by an amount of Israeli Shekels 6.3 million. On 21 July 2023 the AFA registered this transaction for a final amount of Israeli Shekels 5,890 thousand.

On 21 July 2023 the AFA entered into the corresponding AFA register the sale of 40% of the share capital of the affiliate Sigma Financial Planning Pension Insurance Agency 2011, Ltd to the companies owned by the two directors of the aforementioned affiliate, with 20% stake in share capital each.

On 7 November 2023, Andorra Banc Agrícol Reig, SA informed the AFA of the signing of a non-binding Letter of Intent Transaction Proposal for a proposed transaction for the sale of an approximately 55% stake in the share capital of Sigma-Clarity, Ltd by the current shareholders. This would entail a decrease in Andbank's stake in this company to 22.34%.

As a result of this agreement, the assets and liabilities of Sigma-Clarity, Ltd are classified in the consolidated statements of financial position for 2023 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 (see note 17).

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 29 December 2023, the holdings domiciled in Luxembourg, Draven, S.à.R.L, Glimor, S.à.R.L. and Kilimer, S.à.R.L, parents of Quest Capital Advisers Agente de Valores, SA domiciled in Uruguay, were liquidated and wound up before a notary. On 21 February 2024, the AFA informed that it had registered these transactions.

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 amount 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).

During 2023 Andbank has declared that it intends to make a divestment relating to the investee Columbus de México, S.A. de CV (affiliate of the Zumzeiga Group) through a corporate transaction under negotiation.

As a result of this intended divestment, the assets of the investee are classified in the consolidated statements of financial position for 2023 under Non-current assets and disposal groups classified as held for sale and the liabilities are recorded under Liabilities included in disposal groups classified as held for sale (see note 17).

▪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 2023 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.

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 is subject to 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 (returns on investment capital), 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.

The second category includes investment property in finished tangible assets or work in progress, for the purpose of obtaining returns, gains or both.

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, IT software, relationships with customers and agent premiums.

The Group records as Other intangible assets - Other, the estimate of the disbursements that have been made and are scheduled to be made to a certain number of agents which, based on a contractual relationship, provide certain customers to the Group. Estimated scheduled disbursements are recognised as intangible assets as it has been considered probable that future economic rewards will be received from this list of customers. The Group also recognises customer relationships under the same heading, which include intangible assets primarily identified in the process of allocating the price paid for the acquisition of certain retail businesses (see note 14 c). The useful life of these items ranges between 10 and 18 years.

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 2023 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 or losses on non-current assets and disposal groups classified as held for sale not qualifying 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 24). 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:

- Lawsuits for minor amounts are underway in Spain, with overall claims amounting to Euros 1.8 million (Euros 0.9 million at 31 December 2022), for which the Andbank Group considers it unlikely that an adverse economic scenario will arise.
- Other lawsuits are underway in Brazil for claims against the Bank, mostly related to financing agreements, for an overall amount of Euros 9.9 million. The Group considers it unlikely that an adverse economic scenario will arise.

▪t. Insurance transactions

The Andbank Group applies the requirements set out in IFRS 17 - Insurance contracts to all the assets and liabilities in its consolidated financial statements that derive from insurance contracts, in accordance with the definition established in the standard, which defines insurance contracts as contracts under which one party accepts significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

IFRS 17 requires a level of aggregation of contracts that the Group identifies in portfolios of insurance contracts subject to similar risks and managed together. In this respect, the Group divides each portfolio into a minimum of three groups:

i. Contracts that are onerous at initial recognition;

ii. Contracts that at initial recognition have no significant possibility of becoming onerous subsequently;

iii. Remaining contracts, if any.

For contracts that are not onerous, a profit margin is recognised in the income statement over the period during which the entity carries out the service. However, if upon initial recognition or rather during the period in which the entity provides the service, the contract is onerous, the entity recognises the loss in the income statement.

The contract boundary defines the coverage period to be until when fulfilment cash flows must be considered to be able to measure an insurance contract.

For insurance and reinsurance contracts under IFRS 17 the Group generally applies the general model (Building Block Approach), with the exception of those which can be measured using the simplified approach (Premium Allocation Approach) or Variable Fee Approach.

The general model measures a group of insurance contracts as the sum of fulfilment cash flows and the contractual service margin. This margin represents the unearned profit that the entity will recognise as it provides services by virtue of the insurance contract.

The Group estimates the discount rate to measure the present value of the future cash flows of a group of insurance contracts considering the time value of money and the financial risks related to those cash flows. For this purpose, the same interest rate is used as that used to estimate the present value of financial assets under insurance contracts.

Likewise, the Andbank Group estimates 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.

The main components recorded under technical provisions correspond to unearned premiums and unexpired risks, life insurance, life insurance when the risk of the investment is borne by the policyholders, claims and provisions for bonuses and rebates.

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.

▪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

The proposed distribution of the Parent's profit for 2023, that the board of directors will present to the shareholders for their approval, is as follows:

	Thousands of Euros 2023
Legal reserves	-
Voluntary reserves	11,503
Dividends	11,500
	23,003

Distribution of the Parent's profit for the year ended 31 December 2022, approved by the shareholders at their general meeting on 27 April 2023, was Euros 920 thousand to the legal reserve, Euros 7,088 thousand to voluntary reserves and Euros 5,000 thousand to dividends.

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

Details of cash, cash balances at central banks and other demand deposits at 31 December 2023 and 2022 are as follows:

		Thousands of Euros
	31/12/23	**31/12/22**
Cash on hand	15,865	19,024
Cash balances at central banks	2,332,131	106,445
Other demand deposits	283,820	416,230
	2,631,816	**541,699**

6. Financial assets and liabilities held for trading

Details of these line items of the consolidated statement of financial position at 31 December 2023 and 2022 are as follows:

		Thousands of Euros
	31/12/23	**31/12/22**
Financial assets held for trading		
Derivatives	145,835	169,897
Equity instruments	171	239
Debt securities	100,665	219,206
	246,671	**389,342**

		Thousands of Euros
	31/12/23	**31/12/22**
Financial liabilities held for trading		
Derivatives	98,539	91,691
Deposits	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
	98.539	**91,691**

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

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

▪a. Financial assets held for trading

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

Thousands of Euros	31/12/23	31/12/22
Derivatives	145,835	169,897
Equity instruments	171	239
Of which: at cost	-	-
Of which: credit institutions	-	-
Of which: other financial corporations	-	-
Of which: non-financial corporations	171	239
Debt securities	100,665	219,206
Central banks	-	-
General governments	4,190	20,105
Credit institutions	85,498	143,884
Other financial corporations	7,471	55,190
Non-financial corporations	3,506	27
	246,671	389,342

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

Thousands of Euros	31/12/2023		31/12/2022	
	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	-	145,835	-	169,897
Equity instruments	-	171	-	239
Debt securities	-	100,665	9,667	209,539
Loans and advances	-	-	-	-
	-	246,671	9,667	379,675

▪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 2023 and 2022, is as follows:

At 31 December 2023	Financial assets held for trading	Financial liabilities held for trading	Notional amount
			Thousands of Euros
Interest rate	**83,569**	**28,558**	**1,993,457**
Of which: economic hedges	83,569	28,558	1,993,457
OTC other	83,569	28,558	1,993,457
Equity risk	**21,135**	**18,354**	**139,445**
Of which: economic hedges	21,135	18,354	139,445
OTC other	21,135	18,354	139,445
Foreign exchange and gold	**5,021**	**12,572**	**629,231**
Of which: economic hedges	5,021	12,572	629,231
OTC other	5,021	12,572	629,231
Credit	**35,980**	**38,921**	**1,912,971**
Of which: economic hedges	35,980	38,921	1,912,971
Credit default swap	35,980	38,921	1,912,971
Other	**130**	**134**	**16,424**
Of which: Economic hedges	130	134	16,424
Derivatives	**145,835**	**98,539**	**4,691,528**
Of which: OTC - Credit institutions	54,284	54,913	2,971,180
Of which: OTC - Other financial corporations	91,551	43,313	1,620,348
Of which: OTC - Other	-	313	100,000
	145,835	**98,539**	**4,691,528**

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**

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 2023 and 2022 are as follows:

Thousands of Euros

	31/12/23	31/12/22
Equity instruments	7,626	8,399
Debt securities	-	-
Loans and advances	-	-
	7,626	**8,399**

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 2023 and 2022 are as follows:

Thousands of Euros

	31/12/23	31/12/22
Equity instruments	-	-
Debt securities	20,004	11,802
Loans and advances	2,042	-
	22,046	**11,802**

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 2023 and 2022 are as follows:

Thousands of Euros	31/12/23	31/12/22
Equity instruments	6,512	7,064
Debt securities	374,006	225,640
Loans and advances	-	-
	380,518	**232,704**

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 2023 and 2022 are as follows:

Thousands of Euros	31/12/23	31/12/22
Equity instruments		
Credit institutions	-	-
Non-financial corporations	6,512	7,064
Other financial corporations	-	-
	6,512	**7,064**

Debt securities		
Central banks	-	-
General governments	134,311	63,565
Credit institutions	131,001	113,050
Other financial corporations	42,179	41,119
Non-financial corporations	66,515	7,906
	374,006	**225,640**


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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 2023 and 2022 are as follows:

		Gross carrying amount	
31 December 2023	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	**626,673**	**627,120**	**-**
Central banks	-	-	-
General governments	139,513	139,590	-
Credit institutions	263,401	263,517	-
Other financial corporations	131,262	131,358	-
Non-financial corporations	92,497	92,655	-
Deposits in central banks and credit institutions	**548,362**	**548,362**	**-**
Central banks	-	-	-
Credit institutions	548,362	548,362	-
Loans and advances	**3,207,780**	**3,034,996**	**157,171**
General governments	11,542	11,600	-
Credit institutions	43	44	-
Other financial corporations	127,578	127,731	150
Non-financial corporations	1,504,358	1,412,200	79,077
Households	1,564,259	1,483,421	77,944
Financial assets at amortised cost	**4,382,815**	**4,210,478**	**157,171**

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)
	-	**(447)**	**-**	**-**
	-	-	-	-
	-	(77)	-	-
	-	(116)	-	-
	-	(96)	-	-
	-	(158)	-	-
	-	**-**	**-**	**-**
	-	-	-	-
	-	-	-	-
	38,786	**(3,335)**	**(5,801)**	**(14,037)**
	-	(58)	-	-
	-	(1)	-	-
	3	(302)	(2)	(2)
	27,073	(1,417)	(3,026)	(9,549)
	11,710	(1,557)	(2,773)	(4,486)
	38,786	**(3,782)**	**(5,801)**	**(14,037)**

31 December 2022	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	**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**

At 31 December 2023 assets classified as doubtful amount to Euros 38,786 thousand (Euros 48,181 thousand at 31 December 2022).

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

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 2023 and 2022 are as follows:

31 December 2023	Totals	Central banks
On demand and short notice (current account)	24,914	-
Credit card debt	7,489	-
Trade receivables	17,007	
Finance leases	-	-
Reverse repurchase loans	-	-
Other term loans	3,158,370	-
Advances that are not loans	-	-
Loans and advances	**3,207,780**	**-**

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**	**-**

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

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

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

Thousands of Euros

Net carrying amount				
General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households
-	-	53	19,981	4,880
1	20	25	874	6,569
-	-	227	16,672	108
-	-	-	-	-
-	-	-	-	-
11,541	23	127,273	1,466,831	1,552,702
-	-	-	-	-
11,542	**43**	**127,578**	**1,504,358**	**1,564,259**

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**

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 2023 and 2022, are as follows:

Thousands of Euros

31 December 2023	Gross carrying amount	% coverage ≤ 40% or without guarantee	> 40% & ≤ 60%	> 60% i ≤ 80%	> 80% & ≤ 100%	> 100%
Deposits in central banks and credit institutions	**548,362**	**22,683**	**-**	**-**	**525,679**	**-**
Central banks	-	-	-	-	-	-
Credit institutions	548,362	22,683	-	-	525,679	-
Loans and advances	**3,230,953**	**257,156**	**7,455**	**17,065**	**271,317**	**2,677,960**
Operations collateralised by immovable property	1,352,094	6,290	1,532	6,819	173,111	1,164,342
Operations collateralised by debt securities/ instruments	1,291,463	889	3,722	8,787	71,871	1,206,194
Operations collateralised by monetary assets	376,367	38,948	2,201	1,459	26,335	307,424
Operations with no guarantee and/or personal collateral	211,029	211,029	-	-	-	-
Financial assets at amortised cost	**3,779,315**	**279,839**	**7,455**	**17,065**	**796,996**	**2,677,960**

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**

At 31 December 2023, 92% of loans and advances and deposits in credit institutions have coverage of more than 80%, whilst at 31 December 2022, 71% of loans and advances have coverage of more than 80%.

At 31 December 2023, 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 5.62 million (included in the Euros 7.14 million of transactions with third party guarantees).

11. Derivatives - Hedge accounting and Fair value changes

The balances of these items of the accompanying consolidated statements of financial position at 31 December 2023 and 2022 are as follows:

Derivatives - Hedge accounting and changes in fair value	31/12/23	31/12/22
		Thousands of Euros
Assets	**2,651**	**5,551**
Derivatives - Hedge accounting	11,678	19,180
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(9,027)	(13,629)
Liabilities	**41**	**1,032**
Derivatives - Hedge accounting	41	1,032
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-

At 31 December 2023 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 2023 and 2022, distinguishing between risk category for each kind of hedge, are as follows:

				Thousands of Euros
	Carrying amount		Notional amount	
31 December 2023	Assets	Liabilities	Total hedges	Of which: sold
Fair value hedges	**10,848**	**41**	**157,040**	**-**
Interest rate	10,848	41	157,040	-
Otc options	-	-	-	-
Otc other	10,848	41	157,040	-
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	**830**	**-**	**158,541**	**-**
Total derivatives - hedge accounting	**11,678**	**41**	**315,581**	**-**
Of which: otc - credit institutions	11,678	41	315,581	-
Of which: otc - other financial corporations	-	-	-	-
Of which: otc - other	-	-	-	-

Thousands of Euros

31 December 2022	Carrying amount		Notional amount	
	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	-	-	-	-

12. Investments in subsidiaries, joint ventures and associates

Details, by company, of Investments in subsidiaries, joint ventures and associates at 31 December 2023 and 2022 in the accompanying consolidated statements of financial position are as follows:

Thousands of Euros

2023				
Company name	Investment	Impairment	Cost	Total
Medipatrimonia Invest, SL	51.00%	-	2,919	2,919
Sigma M. Partners, LTD	49.80%	-	801	801
Other companies	100.00%	-	61	61
		-	**3,781**	**3,781**

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**

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 2023 and 2022 is as follows:

Thousands of Euros

	31/12/23	**31/12/22**
Tangible assets		
Property, plant and equipment	97,298	104,837
Property, plant and equipment for own use	22,451	21,940
Rights-of-use	74,847	82,897
Investment property	47,305	13,632
	144,603	**118,469**

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, at 31 December 2023 and 2022, is as follows:

Thousands of Euros

	31/12/22	Additions	Disposals	Transfers to/from non-current assets held for sale	Other transfers	Conversion differences and other movements	31/12/23
Cost							
For operating activities							
Land	-	-	-	-	-	-	-
Buildings	5,273	255	-	-	-	-	5,528
Furniture	9,887	25	-	-	-	-	9,912
Installations	28,940	1,745	(2,586)	(3,104)	-	(193)	24,802
IT equipment	37,258	4,946	(497)	-	-	-	41,707
Vehicles	1,304	-	-	-	-	-	1,304
Under construction	892	-	-	-	-	-	892
Rights-of-use	122,417	4,983	(4,284)	(796)	-	(163)	122,157
Subtotal	**205,971**	**11,954**	**(7,366)**	**(3,900)**	**-**	**(357)**	**206,302**
For non-operating activities							
Land	-	-	-	-	-	-	-
Buildings	1,135	-	-	-	-	-	1,135
Installations	886	-	-	-	-	-	886
IT equipment	104	-	-	-	-	-	104
Furniture	36	-	-	-	-	-	36
Vehicles	402	-	-	-	-	-	402
Investment property	13,796	2,284	(1,758)	3,692	29,396	(*) -	47,410
Subtotal	**16,359**	**2,284**	**(1,758)**	**3,692**	**29,396**	**-**	**49,973**
Accumulated depreciation							
For operating activities							
Buildings	(4,021)	(136)	-	-	-	-	(4,157)
Furniture	(8,493)	(62)	-	-	-	-	(8,555)
Installations	(20,365)	(2,229)	2,585	1,710	-	220	(18,079)
IT equipment	(28,476)	(2,313)	438	-	-	(43)	(30,394)
Vehicles	(943)	(202)	-	-	-	-	(1,145)
Rights-of-use	(39,520)	(12,365)	3,844	796	-	(65)	(47,310)
Subtotal	**(101,818)**	**(17,307)**	**6,867**	**2,506**	**-**	**112**	**(109,640)**
For non-operating activities							
Buildings	(441)	(47)	-	-	-	-	(488)
Fixtures	(900)	(2)	-	-	-	-	(901)
IT equipment	(103)	-	-	-	-	-	(103)
Furniture	(33)	-	-	-	-	-	(33)
Operating leases	(402)	-	-	-	-	-	(402)
Investment property	(164)	(24)	83	-	-	-	(105)
Subtotal	**(2,043)**	**(73)**	**83**	**-**	**-**	**-**	**(2,032)**
Net balance	**118,469**	**(3,142)**	**(2,173)**	**2,298**	**29,396**	**(245)**	**144,603**

(*) Dation in payment of real estate development in progress.

Thousands of Euros

	31/12/21	Additions	Disposals	Transfers to/from non-current assets held for sale	Other transfers	Conversion differences and other movements	31/12/22
Cost							
For operating activities							
Land	-	-	-	-	-	-	-
Buildings	4,866	407	-	-	-	-	5,273
Furniture	9,887	-	-	-	-	-	9,887
Installations	25,498	2,569	(1,314)	(1,115)	3,302	-	28,940
IT equipment	34,826	2,031	(173)	(105)	679	-	37,258
Vehicles	1,186	118	-	-	-	-	1,304
Under construction	892	-	-	-	-	-	892
Rights-of-use	121,389	4,623	(5,974)	(968)	3,347	-	122,417
Subtotal	**198,544**	**9,748**	**(7,461)**	**(2,188)**	**7,328**	**-**	**205,971**
For non-operating activities							
Land	-	-	-	-		-	-
Buildings	1,135	-	-	-		-	1,135
Installations	886	-	-	-		-	886
IT equipment	104	-	-	-		-	104
Furniture	36	-	-	-		-	36
Vehicles	402	-	-	-		-	402
Investment property	17,113	2,365	(7,270)	1,588		-	13,796
Subtotal	**19,676**	**2,365**	**(7,270)**	**1,588**	**-**	**-**	**16,359**
Accumulated depreciation							
For operating activities							
Buildings	(3,891)	(130)	-	-	-	-	(4,021)
Furniture	(8,370)	(123)	-	-	-	-	(8,493)
Installations	(16,253)	(2,273)	906	557	(3,302)	-	(20,365)
IT equipment	(26,498)	(1,463)	154	10	(679)	-	(28,476)
Vehicles	(705)	(238)	-	-	-	-	(943)
Rights-of-use	(28,736)	(13,182)	5,103	642	(3,347)	-	(39,520)
Subtotal	**(84,453)**	**(17,409)**	**6,163**	**1,209**	**(7,328)**	**-**	**(101,818)**
For non-operating activities							
Buildings	(394)	(47)	-	-	-	-	(441)
Fixtures	(899)	(1)	-	-	-	-	(900)
IT equipment	(103)	-	-	-	-	-	(103)
Furniture	(33)	-	-	-	-	-	(33)
Operating leases	(402)	-	-	-	-	-	(402)
Investment property	(385)	(80)	301	-	-	-	(164)
Subtotal	**(2,216)**	**(128)**	**301**	**-**	**-**	**-**	**(2,043)**
Net balance	**131,551**	**(5,424)**	**(8,267)**	**609**	**-**	**-**	**118,469**

At 31 December 2023 these include fully depreciated tangible assets amounting to Euros 45,902 thousand.

During 2023 and 2022 no interest or exchange differences corresponding to fixed assets have been capitalised.

At 31 December 2023 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 2023 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 47,305 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 2023.

14. Intangible assets

▪a. Goodwill

Details of and movement in this line item of the accompanying consolidated statements of financial position at 31 December 2023 and 2022, broken down by company, are as follows:

					Thousands of Euros
	31/12/22	Additions	Exchange gains/losses	Transfers	31/12/23
Cost	145,675	-	(568)	(12,770)	132,337
Accumulated impairment	(13,007)	(650)	-	1,000	(12,657)
	132,668	**(650)**	**(568)**	**(11,770)**	**119,680**

					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**

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

		Thousands of Euros
	2023	**2022**
Andbank España Banca Privada S.A.U.	96,318	96,318
Andbank Monaco S.A.M.	11,347	11,347
Andbank Wealth Management LLC	1,844	1,909
Andbank Corretora de Seguros de Vida Ltda	641	609
Columbus de México, SA de CV	-	4,268
Quest Capital Advisers Agente de Valores, SA	9,530	10,715
Sigma Investment House Ltd.	-	7,502
Total Goodwill	**119,680**	**132,668**

No increase in goodwill due to acquisitions has arisen in 2023 and 2022.

As mentioned in note 3 v) in 2023 Andbank signed a non-binding Letter of Intent Transaction Proposal for the sale of a percentage stake in the share capital of Sigma - Clarity. The goodwill associated with this company has been reclassified to Non-current assets and disposal groups classified as held for sale (see note 17(b)).

The value of the goodwill of Sigma-Clarity amounts to Euros 8,316 thousand at 31 December 2023. In view of this intention to sell, the Group uses the value of this transaction to measure the recoverable amount of the asset and does not identify any impairment associated therewith.

During 2023 the Group declared its intention to make a divestment relating to the affiliate Columbus de México, S.A. de CV through a corporate transaction under negotiation. Therefore, it has reclassified the goodwill associated with this company as Non-current assets and disposal groups classified as held for sale (see note 17 (b)).

The value of the goodwill of Columbus de México, S.A. de CV amounts to Euros 4,864 thousand at 31 December 2023. In view of this intention to sell, the Group uses the value of this transaction to measure the recoverable amount of this asset and does not identify any impairment associated therewith.

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

The value of the goodwill associated with Andbank Brasil amounts to Euros 19,280 thousand at 31 December 2023. 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 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 2023 reporting date, of the most significant CGU that have been valued by discounting distributable dividends, are as follows:

2023		
	Ke	G
Andbank España, S.A	12.00%	2.50%
Andbank Monaco S.A.M.	10.41%	3.01%
Andbank Wealth Management LLC	11.33%	4.22%
Andbank Corretora de Seguros de Vida Ltda	14.44%	4.99%
Quest Capital Advisers Agente de Valores, SA	14.96%	6.92%

Sensitivity analysis

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

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

▪c. Other intangible assets

A breakdown and movement of items included in Intangible assets during 2023 and 2022 is as follows:

							Thousands of Euros
At 31 December 2023	31/12/22	Additions	Disposals	Transfers to/from non-current assets held for sale	Other transfers	Conversion differences and other movements	31/12/23
Cost							
IT software and applications	130,355	6,720	(2,403)	-	5,627	-	140,299
Multi-owned assets	834	-	-	-	-	-	834
Intangible assets in progress	-	-	-	-	-	-	-
Other	81,850	3,793	(233)	(2,258)	(5,627)	-	77,525
	213,039	**10,513**	**(2,636)**	**(2,258)**	**-**	**-**	**218,658**
Accumulated amortisation							
IT software and applications	(68,793)	(9,758)	2,403	-	-	54	(76,094)
Multi-owned assets	(727)	(10)	-	-	-	-	(737)
Intangible assets in progress	-	-	-	-	-	-	-
Other	(32,374)	(3,751)	149	2,234	-	57	(33,685)
	(101,894)	**(13,519)**	**2,552**	**2,234**	**-**	**111**	**(110,516)**
Accumulated impairment	**(2,061)**	**(126)**	**106**	**-**	**-**	**-**	**(2,081)**
Net balance	**109,084**	**(3,132)**	**22**	**(24)**	**-**	**111**	**106,061**

At 31 December 2022	31/12/22	Additions	Disposals	Transfers to/from non-current assets held for sale	Other transfers	Conversion differences and other movements	31/12/23
							Thousands of Euros
Cost							
IT software and applications	110,961	3,657	(1,659)	(5,893)	23,289	-	130,355
Multi-owned assets	834	-	-	-	-	-	834
Intangible assets in progress	-	-	-	-	-	-	-
Other	104,131	3,855	(103)	(5,262)	(20,771)	-	81,850
	215,926	**7,512**	**(1,762)**	**(11,155)**	**2,518**	**-**	**213,039**
Accumulated amortisation							
IT software and applications	(63,505)	(9,309)	1,962	2,575	(516)	-	(68,793)
Multi-owned assets	(716)	(11)	-	-	-	-	(727)
Intangible assets in progress	-	-	-	-	-	-	-
Other	(26,826)	(3,546)	-	-	(2,002)	-	(32,374)
	(91,047)	**(12,866)**	**1,962**	**2,575**	**(2,518)**	**-**	**(101,894)**
Accumulated impairment	**(1,909)**	**(152)**	**-**	**-**	**-**	**-**	**(2,061)**
Net balance	**122,970**	**(5,506)**	**200**	**(8,580)**	**-**	**-**	**109,084**

At 31 December 2023 these include fully amortised intangible assets amounting to Euros 47,700 thousand.

At 31 December 2023 customer relationships and agent premiums classified as Other under intangible assets amount to Euros 35,559 thousand.

At 31 December 2022 software under development classified as Other under intangible assets, as part of the Bank's technological transformation project (Newton Project), amounted to Euros 4,853 thousand. At 31 December 2023 the development work has been completed and the software is in use.

At 31 December 2023 all these items remain under ownership of the Bank and are used for its activity.

15. Tax assets and liabilities

Details of tax assets and liabilities at 31 December 2023 and 31 December 2022 are as follows:

	31/12/23	31/12/22
		Thousands of Euros
Tax assets		
Current tax assets	4,245	5,841
Deferred tax assets	25,780	29,004
	30,025	**34,845**
Tax liabilities		
Current tax liabilities	8,747	5,834
Deferred tax liabilities	7,148	9,085
	15,895	**14,919**

16. Other assets and liabilities

A breakdown of the asset and liability items of the consolidated statement of financial position at 31 December 2023 and 31 December 2022 is as follows:

Thousands of Euros		
	31/12/23	**31/12/22**
Other assets		
Inventories	14	14
Other assets	100,985	101,007
Prepayments and accrued income	50,917	39,033
Operations in progress	4,431	7,295
Other items	45,637	54,679
	100,999	**101,021**

Thousands of Euros		
	31/12/23	**31/12/22**
Other liabilities		
Other liabilities	105,940	97,869
Accrued expenses and deferred income	14,524	13,797
Operations in progress	25,390	9,139
Other items	66,026	74,933
	105,940	**97,869**

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 2023 and 31 December 2022 are as follows:

Thousands of Euros		
	31/12/23	**31/12/22**
Foreclosed assets	2,646	9,588
Other non-current assets held for sale	470,315	200,376
	472,961	**209,964**

Thousands of Euros		
	31/12/23	**31/12/22**
Foreclosed liabilities	-	-
Other non-current liabilities held for sale	366,586	118,266
	366,586	**118,266**

▪a. Foreclosed assets

A breakdown and movement during 2023 and 2022 of this item in the accompanying statements of financial position are as follows:

Thousands of Euros

At 31 December 2023	31/12/22	Additions	Disposals	Transfers to investment property	Other	31/12/23
Cost						
Property, plant and equipment						
From foreclosures	22,548		(9,027)	(5,850)	-	7,671
Other	-		-	-	-	-
	22,548		**(9,027)**	**(5,850)**	**-**	**7,671**
Impairment losses						
Property, plant and equipment	-		-	-	-	-
From foreclosures	(14,523)		5,777	2,158	-	(6,588)
Other	1,563		-	-	-	1,563
	(12,960)	**-**	**5,777**	**2,158**	**-**	**(5,025)**
Net balance	**9,588**		**(3,250)**	**(3,692)**	**-**	**2,646**

Thousands of Euros

At 31 December 2022	31/12/21	Additions	Disposals	Transfers to investment property	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	(19,919)	-	2,254	3,263	(121)	(14,523)
Other	1,563	-	-	-	-	1,563
	(18,356)	**-**	**2,254**	**3,263**	**(121)**	**(12,960)**
Net balance	**13,376**	**307**	**(2,387)**	**(1,587)**	**(121)**	**9,588**

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

	31/12/23	**31/12/22**
Land	7,497	22,826
Premises	1,024	1,117
Car parks	450	758
Storage rooms	40	82
Housing	285	2,084
	9,296	**26,867**

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, AS08 and Tecnitasa.

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
	31/12/23	**31/12/22**
Up to 12 months	-	-
From 1 to 2 years	158	229
From 2 to 5 years	87	4,133
More than 5 years	2,401	5,226
	2,646	**9,588**

Details, by type of asset, of the profit and loss recognised in 2023 and 2022 due to the sale of non-current assets and disposal groups which have been classified as held for sale are as follows:

				Thousands of Euros
	2023		**2022**	
	Profits	Losses	Profits	Losses
Apartments	506	(90)	419	(24)
Car parks	101	-	-	-
Premises	12	-	96	-
Land	532	(57)	90	-
Adjustments due to depreciation	-	-	-	-
	1,151	**(147)**	**605**	**(24)**

At 31 December 2023 and 2022 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 2023 correspond to the transactions described in note 3 a).

As mentioned in this note, Andbank signed an agreement for the sale of the investee Banco Andbank (Brasil) S.A. and its affiliates, together with a non-binding Letter of Intent Transaction Proposal for the sale of Sigma-Clarity, Ltd. Likewise, Andbank has declared its intention to make a divestment relating to the investee Columbus de México, S.A. de CV (affiliate of the Zumzeiga Group).

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 2023.

Details of the consolidated assets and liabilities of the company for sale of Banco Andbank (Brasil), S.A. at 31 December 2023 are as follows:

Thousands of Euros	
ASSETS	**31/12/23**
Cash, cash balances at central banks and other demand deposits	152
Cash balances at central banks	148
Other demand deposits	4
Financial assets at fair value through other comprehensive income	70,630
Equity instruments	65,858
Debt securities	4,772
Financial assets at amortised cost	321,514
Debt securities	14,670
Loans and advances	306,844
Derivatives - Hedge accounting	-
Tangible assets	641
Property, plant and equipment	641
Intangible assets	29,353
Goodwill (*)	19,280
Other intangible assets	10,072
Tax assets	8,088
Current tax assets	3,345
Deferred tax assets	4,743
Other assets	15,035
TOTAL ASSETS	**445,413**

(*) See note 14 a)

Thousands of Euros	
LIABILITIES	**31/12/23**
Financial liabilities measured at amortised cost	355,594
Deposits	355,594
Fair value changes of the hedged items in portfolio with interest rate risk hedge	-
Provisions	637
Tax liabilities	422
Current tax liabilities	422
Other liabilities	7,574
TOTAL LIABILITIES	**364,227**

Details of the consolidated assets and liabilities of the company for sale of Sigma-Clarity, Ltd at 31 December 2023 are as follows:

Thousands of Euros

ASSETS	31/12/23
Cash, cash balances at central banks and other demand deposits	**2,890**
Cash balances at central banks	-
Other demand deposits	2,890
Financial assets at fair value through other comprehensive income	**-**
Equity instruments	-
Debt securities	-
Financial assets at amortised cost	**-**
Debt securities	-
Loans and advances	-
Derivatives - Hedge accounting	**-**
Tangible assets	**340**
Property, plant and equipment	340
Intangible assets	**8,316**
Goodwill (*)	8,316
Other intangible assets	-
Tax assets	**618**
Current tax assets	-
Deferred tax assets	618
Other assets	**727**
TOTAL ASSETS	**12,890**

(*) See note 14 a)

Thousands of Euros

LIABILITIES	31/12/23
Financial liabilities measured at amortised cost	**-**
Deposits	-
Fair value changes of the hedged items in portfolio with interest rate risk hedge	**-**
Provisions	**-**
Tax liabilities	**-**
Current tax liabilities	-
Other liabilities	**740**
TOTAL LIABILITIES	**740**

Details of the consolidated assets and liabilities of the company for sale of Columbus de México, S.A. at 31 December 2023 are as follows:

	Thousands of Euros
ASSETS	31/12/23
Cash, cash balances at central banks and other demand deposits	1,613
Cash balances at central banks	2
Other demand deposits	1,611
Financial assets at fair value through other comprehensive income	-
Equity instruments	-
Debt securities	-
Financial assets at amortised cost	-
Debt securities	-
Loans and advances	-
Derivatives - Hedge accounting	-
Tangible assets	1,054
Property, plant and equipment	1,054
Intangible assets	4,889
Goodwill (*)	4,864
Other intangible assets	25
Tax assets	-
Current tax assets	-
Deferred tax assets	-
Other assets	4,455
TOTAL ASSETS	**12,011**

(*) See note 14 a)

	Thousands of Euros
LIABILITIES	31/12/23
Financial liabilities measured at amortised cost	-
Deposits	-
Fair value changes of the hedged items in portfolio with interest rate risk hedge	-
Provisions	-
Tax liabilities	331
Current tax liabilities	331
Other liabilities	1,288
TOTAL LIABILITIES	**1,619**

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

18. Financial liabilities measured at amortised cost

Details of this line item of the statement of financial position at 31 December 2023 and 31 December 2022 are as follows:

		Thousands of Euros
	31/12/23	31/12/22
Deposits	**6,948,202**	**5,436,982**
Central banks	101,703	179,072
Credit institutions	562,314	427,721
Other creditors	6,284,185	4,830,189
Debt securities issued	**313,539**	**443,133**
Other financial liabilities	**97,608**	**102,670**
	7,359,349	**5,982,785**

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, at 31 December 2023 and 31 December 2022, is as follows:

		Thousands of Euros
	31/12/23	31/12/22
Central banks	**101,703**	**179,072**
Current accounts/overnight deposits	6,796	28,422
Deposits with agreed maturity	94,907	150,650
Deposits redeemable at notice	-	-
Repurchase agreements	-	-
Credit institutions	**562,314**	**427,721**
Current accounts/overnight deposits	18,537	8,739
Deposits with agreed maturity	39,324	37,035
Deposits redeemable at notice	-	-
Repurchase agreements	504,453	381,947
Other creditors	**6,284,185**	**4,830,189**
Current accounts/overnight deposits	3,835,714	4,322,468
Deposits with agreed maturity	2,448,471	507,721
Deposits redeemable at notice	-	-
Repurchase agreements	-	-
	6,948,202	**5,436,982**

▪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 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 at 31 December 2023 and 31 December 2022:

Thousands of Euros

31 December 2023	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
Debt securities issued in 2016	-	-	-	-	25,000	-	25,000
Debt securities issued in 2017	-	-	-	-	39,082	-	39,082
Debt securities issued in 2022	2,404	535	11,546	27,967	-	-	42,452
Debt securities issued in 2023	905	15,511	111,430	78,326	833	-	207,005
	3,309	**16,046**	**122,976**	**106,293**	**64,915**	**-**	**313,539**

31 December 2022	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
Debt securities issued in 2016	-	-	-	-	25,000	-	25,000
Debt securities issued in 2017	-	-	-	-	39,082	-	39,082
Debt securities issued in 2022	86,322	37,022	158,484	85,017	12,055	-	378,900
	86,322	**37,022**	**158,484**	**85,017**	**76,137**	**-**	**442,982**

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 this liability line item of financial liabilities at amortised cost on the consolidated statement of financial position at 31 December 2023 and 31 December 2022 is as follows:

		Thousands of Euros
	31/12/23	**31/12/22**
Lease liabilities	81,495	90,042
Bonds payable	7,557	6,022
Guarantees received	47	182
Clearing houses	6,498	4,823
Other items	2,011	1,601
	97,608	**102,670**

Details of maturity dates of lease liabilities maturing after 31 December 2023 and 2022 are as follows:

31/12/23	Menys 1 any	1 a 3 anys	3 a 5 anys	Més de 5 anys	Total
Maturities of lease liabilities	8,071	12,940	17,320	43,164	81,495

31/12/22	Menys 1 any	1 a 3 anys	3 a 5 anys	Més de 5 anys	Total
Maturities of lease liabilities	10,360	13,565	11,995	54,122	90,042

19. Provisions

A breakdown of this line item of the statement of financial position at 31 December 2023 and 2022 is as follows:

		Thousands of Euros
	31/12/23	**31/12/22**
Pensions and other benefit obligations and other long-term employee benefits	3,851	3,962
Other long-term employee benefits	-	-
Pending legal issues and tax litigation	341	292
Commitments and guarantees given	419	383
Other provisions	13,404	12,887
	18,015	**17,524**

Movement by type of provision during 2023 and 2022 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 2023	**3,962**	**292**	**383**	**12,887**	**17,524**
Net provisions					
Amounts used	22	(13)	36	241	286
Other movements	(467)	-	-	(2,495)	(2,962)
Balance at 31 December 2023	**3,851**	**341**	**419**	**13,404**	**18,015**

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**

▪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 2023 for retired personnel and early retirees are as follows:

	Jubilats	Prejubilats
Mortality tables	PER2020	PER2020
Nominal discount rate	3.62%	1.88%
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 2023 and 2022 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 2023 balances managed off the balance sheet amounted to Euros 369 thousand (Euros 382 thousand at 31 December 2022), whilst internal funds recognised under Provisions amount to Euros 3,065 thousand at 31 December 2023 (Euros 3,063 thousand at 31 December 2022).

▪b. Other provisions

Other provisions include potential adverse scenario events when closing corporation transactions underway and other provisions not included under the aforementioned line items. The Bank's directors do not expect that the resolution of these events could significantly affect the financial statements.

20. Capital and reserves

Details of movement in the Andbank Group's capital and reserves in 2023 and 2022 is shown in the statement of changes in equity.

▪a. Capital

At 31 December 2023 and 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 2023 and 2022 are as follows:

		Thousands of Euros
	31/12/23	**31/12/22**
Share premium	103,842	103,842
Retained earnings	461,763	455,467
Legal reserve	16,688	15,768
Guarantee reserves	27,026	27,026
Voluntary reserves	415,742	410,366
Own share reserves	2,307	2,307
	565,605	**559,309**

▪ **Share premium**

At 31 December 2023 and 31 December 2022 the balance of this line item of the statement of financial position amounted to Euros 103,842 thousand.

▪ **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. At 31 December 2023 this reserve is fully appropriated.

▪ **Guarantee reserves**

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

In compliance with Law 20/2018 of 13 September 2018 regulating Andorran deposit guarantees and the Andorran system for guaranteeing investments, at 31 December 2023 and 2022 Guarantee reserves totalled Euros 27,026 thousand.

▪ **Voluntary reserves**

Voluntary reserves include an amount of Euros 145,503 thousand for differences on first-time consolidation that are restricted.

▪ **Consolidation reserves**

At 31 December 2023 and 2022 consolidation reserves correspond to the following companies:

	Thousands of Euros	
	31/12/23	**31/12/22**
Andorra Gestió Agrícol Reig, SAU	505	1,717
Andorra Assegurances Agrícol Reig, SAU	453	532
Zumzeiga, BV Group	1,414	161
Egregia, BV Group	131	651
Andbank Luxembourg Group	24,543	18,192
Andbank España Banca Privada Group (formerly WealthPrivat Bank)	56,513	41,888
MyInvestor Banco Group (formerly Andbank España)	9,541	16,669
Quest Wealth Advisers, Inc (Panama)	2,600	3,174
APW Consultores Financeiros Ltda	(1,256)	(751)
Andbank Monaco, SAM	10,257	5,730
Andbank (Brasil) SA Group	(5,223)	447
Sigma-Clarity Ltd Group	760	71
Andbank Corretora de Seguros de Vida Ltda Group	13	(52)
Other	2,573	2,397
Consolidation adjustments	10,774	10,774
	113,598	**101,600**

Movement in consolidation reserves in 2023 and 2022 is as follows:

	Thousands of Euros
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**
Distribution of 2022 profit to reserves	22,078
Other consolidation adjustments	(10,080)
Balance at 31 December 2023	**113,598**

- **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 2023 and 2022 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, with the sum issued at 31 December 2023 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. The interest rate of this issue is 7.445% at 31 December 2023.

- **MyInvestor, SAU equity instruments issued other than capital**

At a meeting held on 8 March 2023 the board of directors of MyInvestor Banco, SAU agreed to request authorisation to issue bonds in the form of preference stakes amounting to Euros 20,000 thousand. The AFA granted prior authorisation on 30 March 2023 for the affiliate MyInvestor Banco, SAU to issue preference stakes, not convertible or exchangeable into shares and which could not be accumulated and were perpetual, for a nominal amount of Euros 20,000 thousand.

Subsequently, at a meeting held on 26 May 2023 the board of directors of MyInvestor Banco, SAU agreed to increase the original issue by issuing bonds in the form of preference stakes, not convertible or exchangeable into shares and which could not be accumulated and were perpetual, for a nominal amount of Euros 5,000 thousand The AFA granted prior authorisation for this increase on 29 June 2023.

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.

The preference stakes have no voting rights and cannot be accumulated. They have been fully subscribed and are redeemable upon discretion of the issuer, in accordance with the terms and conditions of each issue.

Preference stakes are subordinated payment bonds and for credit seniority purposes are placed behind common creditors and any other subordinated credit which by law and/or due to its terms and conditions, to the extent permitted by Spanish law, is ranked higher than preference stakes. Interest on the preference stakes is dependent on whether sufficient distributable profits are obtained and on the limits imposed by legislation on own funds, and they do not have any voting rights.

At 31 December 2023 this product was issued and commercialised, with the issue having been fully subscribed for a maximum nominal amount of Euros 25,000 thousand, Euros 15,100 thousand of which have been acquired by investors outside the Group.

▪c. Profits/losses attributable to the Andbank Group

Details of profits/losses contributed by each of the companies comprising the Andbank Group during 2023 and 2022 are as follows:

	Thousands of Euros	
	31/12/23	**31/12/22**
Andorra Banc Agrícol Reig, SA	**23,003**	**13,008**
Fully consolidated companies:	**17,057**	**17,115**
Andorra Gestió Agrícol Reig, SAU, SGOIC	1,847	2,285
Zumzeiga B.V. Group	68	1,003
Columbus de México, SA, CV	(99)	473
Quest Capital Advisers Agente de valores, SA	788	375
Andbanc Wealth Management LLC Group	(405)	922
Consolidation adjustments Zumzeiga Group	(216)	(767)
Egregia B.V. Group	(1,201)	(481)
And Private Wealth, SA	(1,172)	(425)
Consolidation adjustments Egregia Group	(29)	(56)
Andbank Luxembourg Group	5,572	4,026
Andbank (Luxembourg) SA	6,033	2,210
Andbank Asset Management Luxembourg, SA	2,102	(422)
Consolidation adjustments Andbank Lux Group	(2,563)	2,238
Andbank España Banca Privada Group (formerly Wealthprivat Bank)	19,126	16,898
Andbank España Banca Privada, SAU (formerly WealthPrivat Bank, SAU)	11,418	14,249
Andbank Wealth Management, SGIIC, SAU	6,841	2,343
Medipatrimonia Invest, SL	482	204
APC Servicios Administrativos, SLU	140	28
Andbank correduria de Seguros, SLU	(10)	(7)
WealthPrivat Corporate Finance, SAU	(79)	(130)
Merchbanc, EGPF, SAU	239	266
Merchbanc, Internacional SARL	94	19
Consolidation adjustments Andbank España Group	1	(74)
MyInvestor (formerly Andbank España Group)	2,430	(1,173)
MyInvestor Banco, SAU (formerly Andbank España, SAU)	2,430	(759)
MyInvestor, SA	-	(1,175)
Consolidation adjustments MyInvestor Group	-	761
Quest Wealth Advisers, Inc (Panama)	(442)	(422)
APW Consultores Financeiros Ltda	106	(152)
Andbank Mònaco, SAM	3,942	2,210
Banco Andbank (Brasil), SA	-	(2,334)
Andorra Assegurances Agrícol Reig, SA	267	32
Other consolidation adjustments	(14,658)	(4,777)
	40,060	**30,123**

21. Accumulated other comprehensive income - Equity

Details of accumulated other comprehensive income during 2023 and 2022 by type of instrument are as follows:

		Thousands of Euros
	31/12/23	**31/12/22**
Items that will not be reclassified to profit or loss	**54**	**(58)**
Tangible assets	-	-
Intangible assets	103	-
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	(49)	(58)
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	**(41,207)**	**(48,898)**
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	(32,094)	(33,718)
Hedging derivatives Cash flow hedges (effective portion)	(253)	2,085
Fair value changes of debt instruments measured at fair value through other comprehensive income	(8,860)	(17,265)
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	-	-
	(41,153)	**(48,956)**
Income tax relating to items that will not be reclassified to profit or loss	(5)	6
Income tax relating to items that may be reclassified to profit or loss	4,121	4,889
	(37,037)	**(44,061)**

The statement of recognised income and expenses for 2023 and 2022, 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 2023 and 31 December 2022 is as follows:

		Thousands of Euros
	31/12/23	**31/12/22**
Loan commitments given	**770,171**	**900,400**
Of which: Non-performing:	174	159
Central banks	-	-
General governments	22,753	26,038
Credit institutions	-	22
Other financial corporations	65,533	39,026
Non-financial corporations	444,618	628,829
Households	237,267	206,485
Financial guarantees given	**97,619**	**116,430**
Of which: Non-performing:	53	17
Central banks	-	-
General governments	71	71
Credit institutions	272	960
Other financial corporations	66	447
Non-financial corporations	83,276	80,738
Households	13,934	34,214
Other commitments given	**28,372**	**10,446**
Of which: Non-performing:	-	-
Central banks	-	-
General governments	-	-
Credit institutions	766	603
Other financial corporations	4,704	4,703
Non-financial corporations	5,598	4,338
Households	17,304	802

		Thousands of Euros
	31/12/23	**31/12/22**
	Maximum amount of guarantee	Maximum amount of guarantee
Financial guarantees received		
Central banks	-	-
General governments	8,617	2,775
Credit institutions	59,473	7,836
Financial corporations	9,385	13,301
Other non-financial corporations	266,995	285,907
Households	307,538	336,929
	652,008	**646,748**

23. Third party transactions

A breakdown of the most significant accounts included in this line item at 31 December 2023 and 2022 is as follows:

Thousands of Euros	31/12/23	31/12/22
Shares and other variable-income securities	4,086,962	3,520,985
Bonds and other fixed-income securities	3,717,371	2,931,579
Units in investment funds not managed by the Group	12,426,649	9,979,774
Units in investment funds managed by the Group	102,207	84,998
Other	7,807	7,679
	20,340,996	**16,525,015**

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 2023 and 2022 are as follows:

Thousands of Euros	31/12/2023			31/12/2022		
	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 underta-kings	171,320	1,861,827	2,033,147	2,140,529	1,596,577	3,737,106
Individual customer portfolio managed discretionally	2,401,480	4,411,265	6,812,745	2,559,328	7,193,874	9,753,202
Other individual customers	24,200,579	4,108,088	28,308,667	16,719,871	755,180	17,475,051
Customers advised	-	1,125,289	1,125,289	-	275,585	275,585
	26,773,379	**11,506,469**	**38,279,848**	**21,419,728**	**9,821,216**	**31,240,944**

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 2023 and 31 December 2022 are as follows:

Thousands of Euros	31/12/23	31/12/22
Financial assets held for trading	6,148	2,516
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	496	334
Financial assets at fair value through other comprehensive income	8,544	3,085
Financial assets at amortised cost	195,198	63,745
Of which: Debt securities	12,138	9,293
Of which: Loans and advances	183,060	54,452
Derivatives - Hedge accounting, interest rate risk	-	-
Other assets	6	3
	210,392	**69,683**

▪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 2023 and 31 December 2022 are as follows:

		Thousands of Euros
	31/12/23	**31/12/22**
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	102,924	25,847
Of which: deposits	92,153	18,531
Of which: Debt securities issued	10,771	7,316
Other liabilities	499	861
Interest expense on assets	-	-
Derivatives - hedge accounting, interest rate risk	534	296
	103,957	**27,004**

25. Dividend income

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

		Thousands of Euros
	31/12/23	**31/12/22**
Dividend income		
Non-trading financial assets mandatorily at fair value through profit or loss	102	104
Financial assets at fair value through other comprehensive income	118	208
	220	**312**

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 2023 and 31 December 2022 is as follows:

		Thousands of Euros
	31/12/23	**31/12/22**
Fee and commission income		
Fees and commission on services	5,828	7,915
Income from services	19,980	12,805
Fees and commission on giros	1,442	1,273
Fees and commission on safe deposit rental	172	201
Fees and commission on credit cards	2,756	2,331
Fees and commission on account maintenance	4,285	5,134
Other	11,325	3,866
Surety bonds	869	689
Fees and commission on transferable securities	193,858	192,712
Stock exchange transactions on behalf of customers	59,326	60,303
Securities depositary management	19,983	20,721
Financial transactions	114,549	111,688
	220,535	**214,121**

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 2023 and 31 December 2022 is as follows:

		Thousands of Euros
	31/12/23	**31/12/22**
Fee and commission expenses		
Securities deposits	867	842
Fees and commission on credit cards	1,523	1,449
Swift expenses	304	184
Representation expenses	75,463	69,398
Other	12,097	9,055
	90,254	**80,928**

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 2023 and 31 December 2022 are as follows:

		Thousands of Euros
	31/12/23	**31/12/22**
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	86	1,233
Financial assets at fair value through other comprehensive income	69	1,376
Financial assets at amortised cost	17	(143)
Gains or losses on financial assets and liabilities held for trading, net	28,207	39,617
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(50)	(19)
Gains or losses on financial assets designated at fair value through profit or loss, net	418	(1,462)
Gains or losses from hedge accounting, net	(59)	(1,932)
	28,602	**37,437**

Details of Gains or losses on financial assets and financial liabilities held for trading, net at 31 December 2023 and 31 December 2022, are as follows:

		Thousands of Euros
	31/12/23	**31/12/22**
Gains or losses on financial assets and liabilities held for trading, net		
Derivatives	707	34,140
Equity instruments	23	283
Debt securities	27,477	5,194
	28,207	**39,617**

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 2023, excluding those corresponding to the portfolio of financial assets and financial liabilities at fair value through profit or loss, amount to Euros 6,795 thousand (Euros 8,814 thousand at 31 December 2022).

30. Other operating income/expenses

A breakdown of the balance of this line item of the consolidated income statement at 31 December 2023 and 2022 is as follows:

Thousands of Euros

	31/12/23		31/12/22	
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	22	-	56	-
Operating leases other than investment property	730	-	729	-
Other	4,115	(10,267)	10,153	(7,691)
	4,867	**(10,267)**	**10,938**	**(7,691)**

31. Administrative expenses

▪a. Staff expenses

A breakdown of the amounts included under this line item in the consolidated income statement for 2023 and 2022 is as follows:

Thousands of Euros

Staff expenses	**31/12/23**	**31/12/22**
Salaries and bonuses to current employees	95,856	89,045
Social Security contributions	16,896	15,952
Other salary commitments	819	1,068
Severance payments	1,603	1,043
Other staff expenses	6,252	5,340
	121,426	**112,448**

b. Other administrative expenses

A breakdown of this line item of the consolidated income statement at 31 December 2023 and 2022 is as follows:

		Thousands of Euros
Other administrative expenses	**31/12/23**	**31/12/22**
Furniture, fittings and materials	3,172	2,703
Utilities	908	982
IT and communications	25,841	23,500
Publicity and advertising	7,435	4,522
Security and fund courier services	311	315
Insurance and self-insurance premiums	877	1,009
Independent professional services	12,761	12,471
Repairs and maintenance	1,625	1,537
Administration	6,802	5,952
Other	3,259	3,208
	62,991	**56,199**

32. Provisions or reversals of provisions

At 31 December 2023 and 31 December 2022 net charges to this line item of the consolidated income statement are as follows:

		Thousands of Euros
	31/12/23	**31/12/22**
Provisions or reversals of provisions		
Pensions and other post employment defined benefit obligations and other long-term employee benefits	(22)	(677)
Pending legal issues and tax litigation	13	1,512
Commitments and guarantees given	(36)	(8)
Other provisions	(241)	(684)
	(286)	**143**

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 2023 and 31 December 2022 are as follows:

			Thousands of Euros
31 December 2023	Gains	(Losses)	Total net of gains and losses
Financial assets carried at cost	-	-	-
Financial assets at fair value through other comprehensive income	224	-	224
Financial assets at amortised cost	10,984	(5,367)	5,617
	11,208	**(5,367)**	**5,841**

			Thousands of Euros
31 December 2022	Guanys	(Pèrdues)	Total net dels guanys i pèrdues
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**

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

At 31 December 2023 and 2022 the Andbank Group presents the following balance classified as impairment or reversal of impairment on non-financial assets:

		Thousands of Euros
	31/12/23	**31/12/22**
Impairment or reversal of impairment on non-financial assets		
Property, plant and equipment	150	9
Goodwill (note 14a))	(650)	-
Intangible assets	(126)	(130)
Other assets	-	(160)
	(626)	**(281)**

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 2023 and 31 December 2022 are as follows:

		Thousands of Euros
	31/12/23	**31/12/22**
Net gains on sale of buildings	1,004	581
Gains (losses) on non-current assets held for sale	(6,625)	(894)
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	-	-
	(5,621)	**(313)**

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 2023 and 2022 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 2023 and 2022 are as follows:

		Thousands of Euros
	Outstanding balances	
2023	Key management personnel of the Bank or its Parent	Other related parties
Selection of financial assets	**3,107**	**32,096**
Equity instruments	-	-
Debt securities	-	-
Loans and advances	3,107	32,096
Of which: financial assets subject to impairment	-	-
Selection of financial liabilities	**3,115**	**14,818**
Deposits	3,115	14,818
Debt securities issued	-	-
Nominal amount of loan, financial guarantee and other commitments given	**27**	**8,945**
Notional amount of derivatives	**-**	**-**
Income statement	**89**	**1,875**
Finance income	92	1,780
Finance costs	(14)	(67)
Fee and commission income	11	162
Fee and commission expenses	-	-
Memorandum items	**6,742**	**113,159**
Security deposits and other securities held in custody	6,742	113,159

2022	Outstanding balances: 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

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 2023 and 2022 by key management personnel are as follows:

Thousands of Euros

	2023	2022
Remuneration		
Fixed remuneration	4,410	4,471
Variable and deferred remuneration	1,078	1,068
Other staff expenses	**1,077**	**372**
Total	**6,565**	**5,911**

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

	31/12/23	31/12/22
Tax for the year	(1,280)	(1,106)
Income tax adjustments	(86)	283
Local income tax	(1,366)	(823)
Foreign income tax	(10,746)	2,558
Total	**(12,112)**	**1,735**

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	
	31/12/23	31/12/22
Accounting profit before tax	26,558	16,138
Permanent differences	(8,681)	2,469
originating in the year	(8,620)	10,916
originating in prior years	(61)	(8,447)
Accounting income	17,877	18,606
Tax rate of 10%	1,788	1,861
Tax payable	1,788	1,861
Deductions and credits	(508)	(755)
Income tax expense for the year	1,280	1,106

A reconciliation between accounting profit before tax and the aggregate income tax expense of the Andbank Group's Andorran companies for 2023 and 2022 is as follows:

	Thousands of Euros	
	31/12/23	31/12/22
Income and expenses for the year	26,558	16,138
10% of the income and expenses balance for the year	2,656	1,614
Tax effect of permanent differences	(868)	247
Deductions and credits for the current year	(508)	(755)
Income tax expense	1,280	1,106

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 2023 and 2022. Movement in the different deferred tax assets and liabilities of the Andbank Group's Andorran companies during 2023 and 2022 has been as follows (in thousands of Euros):

				Thousands of Euros
	Deferred tax assets		Deferred tax liabilities	
	2023	2022	2023	2022
Opening balance	10,975	11,385	1,192	839
Increases		1,464		356
Decreases	(2,119)	(1,874)	(484)	(3)
Closing balance	**8,856**	**10,975**	**708**	**1,192**

Details, by type, of the origin of deferred tax assets and liabilities of the Andbank Group's Andorran companies at 31 December 2023 and 2022 are as follows:

	Thousands of Euros	
	31/12/23	31/12/22
Deferred tax assets		
Differences due to temporary charging of income and expenses		
Provisions and other impairment	3,010	3,171
Other	1,464	3,268
Other assets	4,382	4,535
	8,856	**10,974**
Deferred tax liabilities		
Other	708	1,192
	708	**1,192**

Taxes assets include the amounts recorded by the Group's Andorran companies for tax losses (Euros 3,602 thousand).

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. 2023 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.

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 2023 the entities are under the obligation to hold a capital buffer of 1.875%, as well as a capital buffer of 0.5% for systemically important institutions, both of which have to be met with ordinary TIER1 capital. At 31 December 2023 the Andbank Group's capital is significantly above these minimum ratios. In this regulatory environment, the Andbank Group's capital ratios at 31 December 2023 are:

	Law 35/2018
CET1 ratio	15.36%
TIER1 ratio	16.93%
Total capital ratio	16.93%

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 2023 and 2022, 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	31/12/23	31/12/22
Financial assets held for trading	246,671	389,342
Derivatives	145,835	169,897
Equity instruments	171	239
Debt securities	100,665	219,206
Loans and advances	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	7,626	8,399
Equity instruments	7,626	8,399
Debt securities	-	-
Loans and advances	-	-
Financial assets designated at fair value through profit or loss	22,046	11,802
Equity instruments	-	-
Debt securities	20,004	11,802
Loans and advances	2,042	-
Financial assets at fair value through other comprehensive income	380,518	232,704
Equity instruments	6,512	7,064
Debt securities	374,006	225,640
Loans and advances	4,382,815	5,032,023
Financial assets at amortised cost	626,673	680,463
Debt securities	3,756,142	4,351,560
Loans and advances	11,678	19,180
Total exposure for financial assets	**5,051,354**	**5,693,450**
Loan commitments given	770,171	900,400
Financial guarantees given	97,619	116,430
Other commitments and other guarantees given	28,372	10,446
Total commitments and guarantees given	**896,162**	**1,027,276**
Total maximum exposure to credit risk	**5,947,516**	**6,720,726**

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

- In the case of the financial assets recognised in the consolidated statements of financial position, it is considered that exposure to credit risk is equal to its carrying amount.
- 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 net value of debt securities by category and their credit rating, as indicated in the accounting policies at 31 December 2023 and 31 December 2022, is as follows:

	31/12/23	31/12/22
Rating		
AAA	60,433	85,339
AA+ to AA-	263,422	109,938
A+ to A-	425,321	521,019
BBB+	100,464	144,002
BBB or lower	271,708	276,813
	1,121,348	**1,137,111**

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 2023 and 2022 classified based on the ageing of the first unpaid maturity, differentiating between non-doubtful and doubtful, together with value adjustments:

		Non-doubtful	
31 December 2023	TOTAL Non-doubtful + TOTAL Doubtful	Total	Not past due or past due <= 30 days
Loans and advances	**3,230,953**	**3,192,167**	**3,160,803**
Central banks	-	-	-
General governments	11,600	11,600	11,600
Credit institutions	44	44	44
Other financial corporations	127,884	127,881	127,731
Other non-financial corporations	1,518,350	1,491,277	1,463,286
Of which: small and medium-sized enterprises	1,506,334	1,479,261	1,451,270
Of which: secured by commercial real estate	148,644	130,485	114,888
Households	1,573,075	1,561,365	1,558,142
Of which: secured by residential real estate	835,092	831,143	828,739
Of which: credit for consumption	113,156	112,843	112,832

		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

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
31,364	**38,786**	**3,010**	**1,382**	**703**	**21,656**	**12,035**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
150	3	-	2	-	1	-
27,991	27,073	1,639	89	208	19,258	5,879
27,991	27,073	1,639	89	208	19,258	5,879
15,597	18,159	-	-	-	17,123	1,036
3,223	11,710	1,371	1,291	495	2,397	6,156
2,404	3,949	1,318	502	72	766	1,291
11	313	123	81	100	9	-

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	-

		Accumulated
		Doubtful exposure
31 December 2023	Total	Non-doubtful exposure - Accumulated impairment and provisions
Loans and advances	**(23,173)**	**(9,134)**
Central banks	-	-
General governments	(58)	(58)
Credit institutions	(1)	(1)
Other financial corporations	(306)	(304)
Other non-financial corporations	(13,992)	(4,442)
Of which: small and medium-sized enterprises	(13,992)	(4,442)
Of which: secured by commercial real estate	(9,587)	(2,230)
Households	(8,816)	(4,329)
Of which: secured by residential real estate	(2,041)	(1,174)
Of which: credit for consumption	(300)	(100)

		Accumulated
		Doubtful exposure
31 December 2022	Total	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)

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
	(14,039)	**(466)**	**(689)**	**(565)**	**(8,979)**	**(3,340)**
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	(2)	-	(1)	-	(1)	-
	(9,550)	(221)	(83)	(176)	(7,584)	(1,486)
	(9,549)	(221)	(83)	(176)	(7,583)	(1,486)
	(7,357)	-	-	-	(6,745)	(612)
	(4,487)	(245)	(605)	(389)	(1,394)	(1,854)
	(867)	-	(159)	-	(240)	(468)
	(200)	(26)	(65)	(100)	(9)	-

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)	-

Impairment losses

Movements during 2023 and 2022 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 2023	Opening balance	Increases due to origin and acquisition	Decrease due to disposals
Provisions for financial assets without increase in credit risk since initial recognition (Stage 1)	**(2,279)**	**(1,117)**	**195**
Debt securities	-	-	-
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	-	-	-
Loans and advances	(2,279)	(1,117)	195
Central banks	-	-	-
General governments	(66)	(3)	4
Credit institutions	-	(1)	-
Other financial corporations	(325)	(18)	13
Non-financial corporations	(936)	(774)	-
Households	(952)	(321)	178
Provisions for debt instruments with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	**(18,974)**	**(300)**	**7,567**
Debt securities	-	-	-
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	-	-	-
Loans and advances	(18,974)	(300)	7,567
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	6
Non-financial corporations	(12,274)	(14)	6,310
Households	(6,700)	(286)	1,251
Provisions for credit-impaired debt instruments (Stage 3)	**(15,487)**	**(463)**	**1,985**
Debt securities	-	-	-
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	-	-	-
Loans and advances	(15,487)	(463)	1,985
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	(5)	-	69
Non-financial corporations	(10,586)	(31)	1,239
Households	(4,896)	(432)	677
Total	**(36,740)**	**(1,880)**	**9,747**

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
(134)	**-**	**-**	**(447)**	**(3,782)**
-	-	-	(447)	(447)
-	-	-	-	-
-	-	-	(77)	(77)
-	-	-	(116)	(116)
-	-	-	(96)	(96)
-	-	-	(158)	(158)
(134)	-	-	-	(3,335)
-	-	-	-	-
7	-	-	-	(58)
-	-	-	-	(1)
28	-	-	-	(302)
293	-	-	-	(1,417)
(462)	-	-	-	(1,557)
3,468	**-**	**2,438**	**-**	**(5,801)**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,468	-	2,438	-	(5,801)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(8)	-	-	-	(2)
2,952	-	-	-	(3,026)
524	-	2,438	-	(2,773)
(551)	**-**	**479**	**-**	**(14,037)**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(551)	-	479	-	(14,037)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(67)	-	-	-	(2)
(172)	-	1	-	(9,549)
(312)	-	478	-	(4,486)
2,783	**-**	**2,917**	**(447)**	**(23,620)**

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)**

Risk concentration

Details of the risk concentrations of the different financial instruments, by product and geographical area, at 31 December 2023 and 31 December 2022, are as follows:

2023	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	7,161	5	16,291	-	1,796
France	76,499	-	1,187	12,146	-
Italy	1,221	-	-	-	-
Germany	985	-	5	-	-
Netherlands	29	-	22,472	-	-
Andorra	27	-	-	-	-
Rest of Europe	-	12	8,543	-	4,858
USA	9,073	3	15,872	-	-
Latin America	851	3	25,131	-	972
Other	45	41	-	7,858	-
	100,665	**171**	**145,835**	**20,004**	**7,626**

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**

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, most of the financial derivatives contracted, as well as repurchase

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
	53,211	3,031	155,060	164,140	2,237,263	1,960,231
	86,234	-	35,416	88,045	148,976	192,660
	98,637	-	132,541	-	44	10,054
	4,129	-	15,395	60,094	323	4,826
	-	-	13,092	-	1	3,341
	56,208	-	-	-	-	674
	6,058	1,929	38,014	2	16,361	646,925
	41,383	1,445	44,224	217,155	222,942	247,593
	7,067	28	170,166	5	4,146	12,921
	-	-	-	455	1,577	27,693
	374,006	**6,512**	**626,673**	**548,362**	**2,631,816**	**3,230,953**

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	1,560,377
	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	325,943
	10,109	29	182,382	2	1,131	9,118
	-	-	-	470	3,157	34,262
	64,708	84	23,299	27,128	1,640	141,319
	225,640	**7,064**	**680,463**	**1,411,050**	**541,699**	**2,977,251**

agreements, 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 2023 and 31 December 2022, as well as the balances of collateral and other offsetting agreements:

			Thousands of Euros
31 December 2023	Carrying amount	Clearing agreements and collateral	Net exposure
Financial assets			
Derivatives	157,513	(29,823)	127,690
Loans and advances	544,812	(174,411)	370,401
Financial liabilities			
Derivatives	98,580	(22,152)	76,428
Deposits	534,512	(1,574)	532,938

			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

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 2023 the average VaR calculated for the trading portfolio was Euros 237 thousand, with a maximum of Euros 489 thousand and a minimum of Euros 82 thousand. The average position of the trading portfolio was Euros 268 million. The trading portfolio mostly 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. Four scenarios have been analysed, three of which are historical (the Greek crisis of 2010, the terrorist attacks on the Twin Towers in 2001 and the COVID-19 health crisis) and one of which is hypothetical (a rise in interest rate curves and an overall increase in credit spreads of 200bp).

The table below shows a summary of the VaR positions from the Andbank Group's trading activity at 31 December 2023 and 2022, 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	173	220	497	133
Spread risk	98	82	87	99
Variable income risk	-	-	-	-
Diversification effect	(72)	(65)	(95)	(150)
Total	**199**	**237**	**489**	**82**

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

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.

Based on interest rates of the past year, the Andbank Group maintains a positive exposure to shifts in the interest rate curve; i.e. the Andbank Group's financial margin would increase if the interest rate were to rise and decrease if the interest rate were to fall. 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 2023 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:

31 December 2023	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	2,631,816	-	-	-	-	-	2,631,816
Financial assets	121,220	210,788	154,616	319,463	304,091	27,521	1,137,699
Loans and receivables	748,393	676,978	1,325,405	654,021	363,601	(12,256)	3,756,142
Loans and credits to entities	294,216	108,943	78,472	63,181	-	3,550	548,362
Credits to customers	454,177	568,035	1,246,933	590,840	363,601	(15,806)	3,207,780
Derivatives	-	-	-	-	-	145,835	145,835
Hedging derivatives	-	-	-	-	-	11,678	11,678
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	3,781	3,781
Other assets	-	-	-	-	-	984,264	984,264
Total assets	**3,501,429**	**887,766**	**1,480,021**	**973,484**	**667,692**	**1,160,823**	**8,671,215**
Financial liabilities held for trading	-	-	-	-	-	98,539	98,539
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	2,085,522	900,871	1,451,760	1,995,721	31,032	894,443	7,359,349
Deposits in central banks	6,795	23,280	69,700	-	-	1,927	101,703
Deposits in banks	109,866	338,207	104,976	-	-	9,265	562,314
Customer deposits	1,927,374	522,434	1,107,115	1,936,421	5,199	785,643	6,284,185
Demand	*1,195,185*	*51,294*	*81,435*	*1,735,470*	*5,188*	*767,143*	*3,835,714*
Term	*732,189*	*471,141*	*1,025,680*	*200,951*	*11*	-	*2,429,971*
Unpaid interest incurred	-	-	-	-	-	*18,500*	*18,500*
Other financial liabilities	-	-	-	-	-	-	-
Debt securities	41,486	16,950	169,969	59,300	25,833	-	313,539
Other financial liabilities	-	-	-	-	-	97,608	97,608
Hedging derivatives	-	-	-	-	-	41	41
Liabilities under insurance contracts	-	-	-	-	-	18,845	18,845
Other liabilities	-	-	-	-	-	506,436	506,436
Total liabilities	**2,085,522**	**900,871**	**1,451,760**	**1,995,721**	**31,032**	**1,518,304**	**7,983,210**
Equity	-	-	-	-	33,950	654,055	688,005
Total Liabilities + Equity	**2,085,522**	**900,871**	**1,451,760**	**1,995,721**	**64,982**	**2,172,360**	**8,671,215**
Assets	3,501,429	887,766	1,480,021	973,484	667,692	1,160,823	8,671,215
Liabilities	2,085,522	900,871	1,451,760	1,995,721	64,982	2,172,360	8,671,215
IRS - Derivatives	**-**	**37,013**	**100,757**	**(9,163)**	**(134,386)**	**-**	**(5,779)**
SIMPLE GAP	**1,415,907**	**23,908**	**129,018**	**(1,031,400)**	**468,324**	**(1,011,537)**	**(5,779)**
ACCUMULATED GAP	**1,415,907**	**1,439,815**	**1,568,833**	**537,433**	**1,005,757**	**(5,779)**	**-**

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)**	**-**

Sensitivity analysis

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

				Thousands of Euros
	Impact on net interest margin		**Impact on economic value**	
31 December 2023	Increase of 25 basis points	Decrease of 25 basis points	Increase of 100 basis points	Decrease of 100 basis points
Average for the period	5.10%	(5.30%)	(1.61%)	2.17%
Maximum for the period	5.95%	(4.50%)	(1.12%)	3.01%
Minimum for the period	4.23%	(6.20%)	(2.41%)	1.27%

				Milers d' euros
	Impact on net interest margin		**Impact on economic value**	
31 December 2022	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%)

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 countervalues against the Euro, at 31 December 2023 and 31 December 2022, are as follows:

		Thousands of Euros
Foreign currency exposure	**2023**	**2022**
USD	(2,820)	(35)
GBP	(1,360)	(767)
CHF	390	357
JPY	400	429

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 2023 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 290% at 2023 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 2023 reporting date is 164%, 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 2023 and 2022 by contractual maturity or, where applicable by expected realisation or settlement terms:

31 December 2023	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	2,485,191	1,018	4,245	-	141,363	-	2,631,816
Financial assets	121,220	167,372	134,518	331,110	355,958	27,521	1,137,699
Loans and receivables	484,577	154,444	671,708	1,578,942	878,726	(12,256)	3,756,142
Loans and credits to entities	294,216	13,829	78,472	63,181	95,115	3,550	548,362
Credits to customers	190,362	140,616	593,236	1,515,761	783,611	(15,806)	3,207,780
Derivatives	-	-	-	-	-	145,835	145,835
Hedging derivatives	-	-	-	-	-	11,678	11,678
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	3,781	3,781
Other assets	-	-	-	-	-	984,263	984,263
Total assets	**3,090,989**	**322,834**	**810,471**	**1,910,052**	**1,376,047**	**1,160,823**	**8,671,215**
Financial liabilities held for trading	-	-	-	-	-	98,539	98,539
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	1,955,110	562,665	1,543,858	662,454	1,740,819	894,443	7,359,349
Deposits in central banks	6,795	23,280	69,700	-	-	1,927	101,703
Deposits in banks	18,537	(0)	197,075	91,477	245,961	9,265	562,314
Customer deposits	1,927,374	522,434	1,107,115	511,677	1,429,942	785,643	6,284,185
Demand	1,195,185	51,294	81,435	310,726	1,429,932	767,143	3,835,714
Term	732,189	471,141	1,025,680	200,951	11	-	2,429,971
Unpaid interest incurred	-	-	-	-	-	18,500	18,500
Other financial liabilities	-	-	-	-	-	-	-
Debt securities	2,404	16,950	169,969	59,300	64,916	-	313,539
Other financial liabilities	-	-	-	-	-	97,608	97,608
Hedging derivatives	-	-	-	-	-	41	41
Liabilities under insurance contracts	-	-	-	-	-	18,845	18,845
Other liabilities	-	-	-	-	-	506,436	506,436
Total liabilities	**1,955,110**	**562,665**	**1,543,858**	**662,454**	**1,740,819**	**1,518,305**	**7,983,210**
Equity	-	-	-	-	33,950	654,055	688,005
Total Liabilities + Equity	**1,955,110**	**562,665**	**1,543,858**	**662,454**	**1,774,769**	**2,172,360**	**8,671,215**
SIMPLE GAP	**1,135,879**	**(239,831)**	**(733,387)**	**1,247,598**	**(398,722)**	**(1,011,537)**	**-**
ACCUMULATED GAP	**1,135,879**	**896,048**	**162,661**	**1,410,259**	**1,011,537**	**-**	**-**

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**	**-**	**-**

Those assets which at 31 December 2023 and 2022 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 2023	Carrying amount of committed assets	Market value of committed assets	Carrying amount of non-committed assets	Market value of non-committed assets
Equity instruments	-	-	14,309	14,309
Debt securities	467,205	422,878	654,143	616,740
Loans and advances	-	-	-	-

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	-	-	-	-

At 31 December 2023 and 2022 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 2023	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	853,469	331,032	522,437
Loans and advances	-	-	-

Milers d' 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	-	-	-

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 profit or 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 proactive 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 2023 the operational risk equity requirements, calculated using the basic indicator method, amounts to Euros 35,682 thousand with an exposure to operational risk of Euros 466,027 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 combating 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, the subsequent amendments and the Regulation enacting Law 8/2013 complete the transposition of the MiFID regulatory framework to 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 Andbank 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 at 31 December 2023 and 31 December 2022, is as follows:

			Level 1
31 December 20223	Level 1	Level 2	Level 3
Financial assets held for trading	89,239	157,432	-
Derivatives	-	145,835	-
Equity instruments	47	124	-
Debt securities	89,192	11,473	-
Non-trading financial assets mandatorily at fair value through profit or loss	1,697	5,929	-
Equity instruments	1,697	5,929	-
Debt securities	-	-	-
Financial assets designated at fair value through profit or loss	7,858	14,188	-
Debt securities	7,858	12,146	-
Financial assets at fair value through other comprehensive income	-	2,042	-
Equity instruments	295,413	85,105	-
Debt securities	3,018	3,494	-
Derivatives - Hedge accounting	292,395	81,611	-
Financial liabilities held for trading	-	11,678	-
Derivatives	-	98,539	-
Derivatives - Hedge accounting	-	98,539	-
Derivats- Comptabilitat de cobertures	-	41	-

31 December 2022	Level 1	Level 2	Level 1 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**	**-**

During 2023 and 2022 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 2023 and 2022 is provided below:

31 December 2023	Fair value	Valuation techniques	Significant non-observable input	Range of estimates (weighted average) for non-observable input
Level 2 financial instruments				
Derivatives	256,093	Discount Model, Credit Default Model Black-Scholes Futures	No aplica	-
Equity instruments	9,547	Deal Value	No aplica	-
Debt securities	105,230	Credit Risky Models, Discount Model, Deal Value, others	No aplica	-

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	No aplica	-
Equity instruments	9,530	Deal Value	No aplica	-
Debt securities	181,758	Credit Risky Models, Discount Model, Deal Value, others	No aplica	-

▪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 2023 and 2022:

Financial assets at amortised cost	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31/12/23	499,362	57,724	-	557,086	626,673
31/12/22	523,085	51,967	-	575,052	680,463

21.68% of the notional amount of these financial instruments is hedged at interest rate level. (See note 11)

During 2023 no sales have been made in the amortised cost portfolio.

40. Events after the reporting period

From 1 January 2024 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 2023, 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 2023 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 aid programme 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 2023 for operations under this programme is Euros 903 thousand (Euros 1,045 thousand at 31 December 2022), 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.

On 22 December 2022, Andorra's criminal code was amended to include the crimes set out in Directive 2013/40/EU of the European Parliament and of the Council on attacks against information systems, Directive (EU) 2019/713 of the European Parliament and of the Council of 17 April 2019 on combating fraud, Directive (EU) 2018/1673 of the European Parliament and of the Council of 23 October 2018 on combating money laundering by criminal law and trafficking in human beings. Regarding money laundering, the amendment sets out the following: Whoever converts or transfers funds that derive, directly or indirectly, from any criminal activity, with knowledge of their provenance, for the purpose of concealing or disguising their illicit origin or of assisting any person who has participated in committing the offence to evade the legal consequences of their actions, shall be punished by imprisonment for a term of five years and a fine of up to three times their value".

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.

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.

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.

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 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). The name was modified once again to the Andorran National Institute of Finance and Insurance by Law 12/2017 of 22 June 2017 regulating and supervising insurance and reinsurance in the Principality of Andorra.

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 2023 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 94/2010, amended again by Law 5/2023 of 19 January 2023 on measures for the reform of direct taxation and modifying other tax and customs regulations was published in the Official Gazette of the Principality of Andorra (BOPA) number 2010.

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.

This law was repealed by 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). Moreover, Law 8/2015 is applicable for restructuring and resolution procedures and administrative procedures initiated prior to the entry into force of Law 7/2021.

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

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

The purpose of the legislation is to make the ordered resolution of any financial institution possible, without serious systemic

interruption and to minimise as far as possible the risk for taxpayers thanks to the protection of the functions that are critical for the financial market and the economy, ensuring that losses are borne by the shareholders and creditors of the entity in crisis.

This Law repeals 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). Moreover, Law 8/2015 is applicable for restructuring and resolution procedures and administrative procedures initiated prior to the entry into force of Law 7/2021.

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.

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).

The purpose of this law is to carry out a global review of the tax system in the Principality, especially with regard to direct taxation, which has culminated in an integral reform of corporate income tax, which maintains the basic structure, modifies specific aspects of personal income tax and income tax of non-residents, and repeals the capital gains tax on real estate transfers and its corresponding integration into the other taxes on income existing in the country's tax system. On the other hand, amendments have also been made to the Law on the bases of taxation (Llei de bases de l'ordenament tributari), the Law on corporations and limited liability companies (Llei de societats anònimes i de responsabilitat limitada) and the Law on indirect general taxation (Llei de l'impost general indirecte), for the purpose of ensuring that Andorra's tax system functions correctly. This law enters into force on 1 January 2024 and for the tax periods beginning thereof. Likewise, certain provisions are applicable as of 9 February 2023.

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	Holland	Special purpose vehicle	100%
Zumzeiga B.V	Holland	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	Spain	Bank	54%
Andbank Wealth Management, SGIIC, SAU	Spain	Fund manager	-
Medipatrimonia Invest, SL	Spain	Investment services	-
Merchbanc, E.G.F.P. S.A.U	Spain	Pension fund manager	-
Merchbanc, International, S.A.R.L	Luxembourg	Instrumental Share holding	-
Andbank Correduria de Seguros S.L.U.	Spain	Insurance intermediation	-
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	-
Sigma Portfolio Management Ltd.	Israel	Portfolio management	-
Sigma Premium Ltd.	Israel	Portfolio management and advisory services	-
Sigma Mutual Funds Ltd	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	Holland	Special purpose vehicle	100%
Quest Wealth Advisers, Inc	Panama	Investment security company	100%
AB Covered Bonds, D.A.C. (*)	Ireland	Special purpose vehicle	100%
AB Financial Products, D.A.C.	Ireland	Special purpose vehicle	100%
Sigma M. Partners, LTD	Israel	Advisory services	50%
Actyus Private Equity SGIIC, SAU	Spain	Fund manager	100%
Andbank España Banca Privada, SAU	Spain	Bank	100%
WealthPrivat Corporate Finance, S.A.U.	Spain	Financial services	-
Sigma-Clarity, Ltd (**)	Israel	Holder of shares	65%
KCPS Capital Management, Ltd	Israel	Advisory services	-
Clarity Capital KCPS, Ltd	Israel	Portfolio management	-
Clarity Capital Investment Services, Ltd	Israel	Advisory services	-

(*) Under liquidation
(**) The assets and liabilities of these companies are classified at 31/12/2022 under the heading "Other non-current assets held for sale" of the asset and under the heading "Other non-current liabilities held for sale" of liabilities, respectively.

2023							
% Indirect ownership	Audited company	Interim dividend	Equity	Capital	Reserves	Unused prior years' profit (losses)	Profit/ (loss)
-	No	-	108	32	6	64	5
-	No	-	81	30	95	(86)	42
-	Yes	-	2,716	1,000	1,019	-	1,847
-	Yes	-	6,774	180	14,617	(7,994)	(28)
-	Yes	-	29,942	29,127	(8)	468	356
-	Yes	-	3,292	2,404	574	19	295
100%	Yes	-	2,701	3,710	524	(361)	(1,172)
50%	Yes	-	5,784	1,505	46	4,332	(99)
100%	Yes	-	2,863	13	(17)	2,080	788
100%	Yes	-	5,449	3,000	348	-	2,102
-	Yes	-	50,981	44,893	(875)	930	6,033
-	Yes	-	94,960	35,547	56,983	-	2,430
100%	Yes	-	31,014	1,004	23,169	-	6,841
51%	Yes	1,021	2,446	54	1,456	-	1,957
100%	Yes	-	2,294	601	1,454	-	239
100%	Yes	-	2,043	25	1,977	(54)	94
100%	Yes	-	290	3	309	(12)	(10)
-	Yes	-	40,352	26,880	3,082	6,449	3,942
-	Yes	-	14	1	31	71	(89)
100%	Yes	-	662	361	(34)	198	137
-	Yes	-	80,473	114,489	(9,787)	(16,193)	(8,036)
100%	Yes	-	244	335	1	(220)	129
65%	Yes	-	7,929	395	8,018	(440)	(45)
65%	Yes	-	4,895	-	6,684	(1,403)	(386)
65%	Yes	-	(670)	-	779	(1,915)	466
65%	Yes	-	1,057	175	703	446	(267)
39%	Yes	-	242	1	1,478	(1,479)	242
-	Yes	-	1,125	370	(98)	838	15
100%	Yes	-	3,754	2,069	1,545	-	140
100%	Yes	-	6,732	19,946	9	(12,818)	(405)
100%	Yes	-	1,973	460	1,881	-	(368)
100%	Yes	-	2,911	711	1,677	-	522
-	Yes	-	644	1,306	823	(1,591)	106
-	Yes	-	352	355	(228)	136	89
-	Yes	-	1,005	18	-	963	24
-	Yes	-	1,582	951	(493)	1,566	(442)
-	Yes	-	288	-	-	338	(49)
-	Yes	-	(148)	1	-	(113)	(35)
-	Yes	-	502	503	888	(1,002)	113
-	Yes	-	335	300	150	-	(115)
-	Yes	-	232,364	63,949	156,997	-	11,418
100%	Yes	-	1,371	1,316	266	(132)	(79)
-	Yes	-	7,142	-	7,140	-	2
65%	Yes	-	313	-	2,706	(1,707)	(686)
59%	Yes	-	981	-	679	(376)	678
59%	Yes	-	(6)	-	-	(6)	(0)

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	Holland	Special purpose vehicle	100%
Zumzeiga B.V	Holland	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	Holland	Special purpose vehicle	100%
Quest Wealth Advisers, Inc	Panama	Investment security company	100%
AB Covered Bonds, D.A.C.	Ireland	Special purpose vehicle	100%
AB Financial Products, D.A.C.	Ireland	Special purpose vehicle	100%
Sigma M. Partners, LTD	Israel	Advisory services	49.80%
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
(**) The assets and liabilities of these companies are classified at 31/12/2022 under the heading "Other non-current assets held for sale" of the asset and under the heading "Other non-current liabilities held for sale" of liabilities, respectively.

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)

Appendix 2

ANNUAL REPORT 2023

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 Manel Cerqueda i Escaler Street, number 4-6, Escaldes - Engordany, Principality of Andorra.

In addition to the transactions carried out directly, Andbank is the Parent of the Andorra Banc Agrícol Reig Group (hereinafter the Andbank Group), which comprises various companies that operate in each jurisdiction, performing banking and financial services and with special emphasis on private banking services. The Andbank Group mainly carries out its activity in the jurisdictions of Andorra, Spain, Luxembourg, Israel, Switzerland, Monaco, Brazil, USA, Panama, Mexico and Uruguay.

Other information on consolidated basis

This item shows the information on a consolidated basis corresponding to the turnover, number of employees on a full-time equivalent basis, gross profit/loss before tax, taxes on profit/loss, in accordance with points b) to e) of article 90 of Law 35/2018 of 20 December on solvency, liquidity and prudential supervision of banking entities and investment firms (Law 35/2018, of December 20, on solvency, liquidity and prudential supervision of banking entities and investment companies).

	Turnover (*)	Number of employees on a full-time equivalent basis	Gross profit/ loss before tax	Taxes on profit/ loss
				Thousands of Euros
Andorra	94,284	326	26,517	(1,371)
Spain	119,301	468	29,394	(7,838)
Luxembourg	21,976	66	7,421	(1,850)
Monaco	28,338	51	5,257	(1,316)
Brazil	1,111	123	409	(120)
Israel	6,569	38	110	-
USA	6,094	22	(405)	-
Mexico	6,881	80	(99)	-
Uruguay	5,257	34	104	-
Switzerland	1,086	7	(1,500)	328
Panama	3,838	26	(413)	(30)
Others and adjustments	(27,134)	-	(14,145)	84
TOTAL	**267,600**	**1,241**	**52,651**	**(12,112)**

(*) S'ha considerat com volumen de negoci el resultat d'explotació, net , segons apareix en els comptes de pèrdues i guanys

Public grants received

The amount of public grants received is not significant.

Other information

At 31 December 2023 the return on the consolidated Group's assets, calculated by dividing the consolidated profit for the year by total assets, stands at 0.46%.

04

Global economic and financial market developments

Summary of 2022 and outlook for 2023

Global economic and financial market developments

Summary of 2023 and outlook for 2024.

2023 - External environment. Behaviour of the global economy and financial markets: Global real GDP grew +3.5% in a year that saw a clear downward trend. In the security markets, equity and debt assets offered significant gains during the year

Global economic growth was positive in 2023 but moderated over the course of the year, as monetary policy tightening was transmitted to the world economy. World real GDP growth slowed to 0.8% in the fourth quarter of 2023 (in its quarter-on-quarter version), down from 1% the previous quarter, to end with global economic activity up 3.5% over the year as a whole, a rate similar to the previous year and to the ten-year average. Despite the seemingly decent figures, the latest data suggest that global consumption growth is moderating, as the tailwinds to consumer spending are fading. Although labour markets remain relatively strong and tight, they are gradually cooling in the main advanced economies, as signalled by declining vacancy-to-unemployment ratios, while nominal wage growth is also steadily slowing. Moreover, the stock of excess savings accumulated during the pandemic has largely been depleted. In China, consumer spending remains weak, against the backdrop of developments in the residential real estate market. As a result, global consumer spending, which buoyed economic activity during the post-pandemic recovery, remains subdued. And yet, more recently, despite this "cooling" in the main global aggregates, the global composite output Purchasing Managers' Index (PMI) rose slightly, suggesting that activity has strengthened in both manufacturing and services. Overall, the background data continue to point to subdued global activity in general.

Turning to the performance of the **financial markets** in 2023, it should be emphasised that, unlike 2022, this was a deeply positive year. In **equity markets** the rises were widespread and steep, most notably: US S&P 500 Index +24.4%, STOXX Europe 600 Index +12.7%, Japan Nikkei +28.2%, Indian Sensex +18.7%, Spain Ibex +22.8%, Brazil Ibovespa +22.3%, China Shenzhen Index -7%.

In **fixed-income assets** the recovery in 2023 was also strong, after heavy losses in 2022. The 10-year US Treasury yielded +4% for the year, the German 10-year bond recovered 6.8% and the UK government benchmark bond returned +4.7%, while Japan's government bond, in contrast, fell -1.2%. In Europe, peripheral government bonds performed particularly well: Spain government bond +8.9%, Italy +12.8%, Portugal +9.9%, Ireland +8.9% and Greece +17.1%.

In the corporate debt arena, company bonds also performed satisfactorily in 2023, with euro-denominated investment grade bonds delivering an average yield (change in value and coupon) of 4%, while euro-denominated high yield bonds returned more than +12.8%. In the dollar universe, investment grade bonds offered gains of 6.8%, while high yield dollar bonds offered 13.5%.

In the world of emerging debt, we saw a significant disparity of behaviour. Overall, all Asian and Latin American debt performed favourably, most notably Philippine bonds with +13.7% and Indian bonds with +8.5% (always in local currency). In Latin America, Brazil's bonds returned more than 30% (with the IRR going from 13% to 10%), while Mexico's bonds had a yield of 10%.

As for the main commodities, oil fell -10.7% in 2023, while gold appreciated by 13.1%.

In the currency universe, against the dollar, the euro appreciated 3.1% in 2023, the pound sterling +5%, the Swiss franc +9%, the Mexican peso appreciated by 13% and the Brazilian real rose +8.2%. On the downside, the Japanese Yen dropped nearly 8% against the USD, while the Chinese Yuan fell -3%.

2024 - Global outlook.

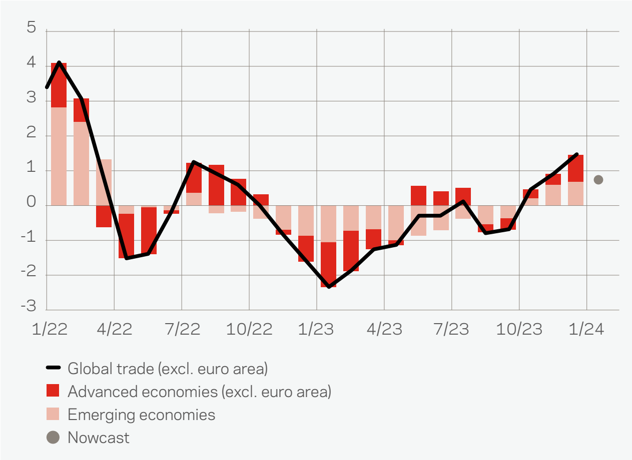
World economy 2024: The outlook for global growth in 2024 has improved somewhat, but the rates of expansion will moderate compared to 2023. The world will grow at a rate of 3.1%.

According to baseline forecasts, global growth will reach 3.1% in 2024 (slightly less than in 2023, although the estimate has been improving in recent months and is now 0.5% higher than last October). Looking to the longer term, the consensus is that the pace will be maintained throughout 2025. For the euro area, our forecasts for GDP growth in 2024 are poor, barely above 0.5%. For the US, in contrast, we expect a markedly higher rate of expansion, with GDP growing at 2.1% this year. In China, we expect growth of 4.6%. For Japan, we project GDP growth of between 0.75% and 1% in 2024. Our projection for India is close to 8%, and for the main Latin American economies, Brazil and Mexico, we anticipate GDP growth of 1.6% and 2.1%, respectively.

Globally, growth is expected to slow gradually over the projection horizon, resulting in a slight drop in pace this year compared to the previous year (from 3.5% to 3.1%). This reflects the fading impact of the tailwinds mentioned earlier, which supported consumer spending in the advanced economies during the post-pandemic period, coupled with monetary policy tightening and high uncertainty against the background of geopolitical tensions. Overall, we expect global real GDP growth to reach 3.1% this year and to remain at 3.2% per year over the 2025-2026 period, slightly below the pace observed over the last decade. Global growth for this year has been revised upwards compared to the October and December 2023 projections, largely thanks to the carryover of stronger growth outcomes in the United States. Growth in global trade in goods remains positive. The rate of growth of world merchandise trade turned positive in the fourth quarter of 2023 and is estimated to have remained in positive territory in January 2024 (chart).

Growth in global trade in goods

(real imports, three-month-on-three-month annualised percentage change, percentage points)



Sources: CPB Netherlands Bureau for Economic Policy Analysis, national sources via LSEG and ECB staff calculations.
Notes: The nowcast incorporates the latest data release using a forecast of global aggregate and a range of macroeconomic variables. The latest observations are for December 2023 for official CPB data and January 2024 for the nowcast.

Global trade should continue to recover, as both the global manufacturing cycle and private investment appear to have been stabilising in these first few months of 2024. The improvement in the global "tech cycle", an early indicator of overall manufacturing growth, is also expected to support trade in the near term. On the risk side, disruptions to shipping in the Red Sea could slow the recovery of world merchandise trade, although the impact to date is considered to have been limited. Merchant traffic through the Red Sea has dropped sharply, as shipping companies are avoiding the area and rerouting their vessels around the Cape of Good Hope. So far, however, global supply chains have remained generally robust and suppliers' delivery times have increased only slightly worldwide this year. This is because of various mitigating factors. First, there seems to be an abundance of unused shipping capacity, partly because the world's fleet of cargo vessels has been expanding in recent years. Second, congestion in ports around the world has remained virtually unchanged, demonstrating the ports' capacity to accommodate rerouted vessels. Last but not least, manufacturers have high levels of inventory, which helps to cushion the impact that longer delivery times could have on production. Nevertheless, if the disruptions in the Red Sea area escalate and persist, risks to global trade, growth and inflation will remain.

As regards **inflation**, the gradual disinflation trend has continued in the countries of the Organisation for Economic Cooperation and Development (OECD). At the same time, disinflation appears to have lost "momentum" in some areas, including the US. The trend in headline inflation, measured as a three-month-on-three-month annualised rate of change, indicates that the disinflation trend at global level is likely to continue in 2024, although foreseeably at a slower pace than last year. Contributing to this are energy prices, which in the first few months of 2024 have been clearly on the rise. The latest readings of input and output price PMIs, which serve as leading indicators of global core inflation in goods and services, corroborate this forecast.

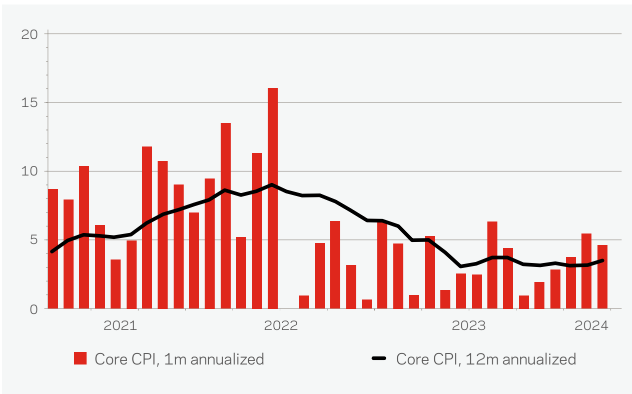
United States in 2024.

In the United States, **growth** in 2023 turned out to be vigorous and has continued to surprise to the upside in the first few months of 2024. We expect some moderation in the rate of growth as the year advances. High-frequency indicators, such as consumer confidence and retail sales, provide rather mixed signals on consumer spending in early 2024, after the strong momentum seen in the fourth quarter of 2023. The rise in consumer loan delinquencies indicates that household balance sheets are coming under increasing pressure, with the household savings rate at a low 4%. Moreover, the Federal Reserve's tight monetary policy continues to weigh on economic activity. Although labour markets are tight by historical standards, they are gradually cooling and wage growth has declined slightly, albeit remaining at a still elevated level.

Headline consumer price index (CPI) **inflation** accelerated month-on-month and quarter-on-quarter over the January-March period. The March CPI is 3.5% year-on-year, but month-on-month it has reached 4.63% (see chart below).

US Inflation - HEADLINE CPI

% Change annualized 1m, 3m, 6m, 12m



Source: LSEG Datastream/ANDBANK

This price acceleration was driven by energy prices, whereas annual core inflation remained stable at 3.8%. Breaking down the inflation data, the core services prices ticked up, mainly due to a further acceleration of non-shelter components. A sectoral breakdown of personal consumption expenditure inflation shows how effectively the Federal Reserve's monetary policy has been transmitted during this tightening cycle, with the interest rate-sensitive sectors showing a larger drop in inflation than the non-sensitive sectors.

Financial conditions and monetary policy decisions. At the March 2024 meeting of the Federal Reserve it was confirmed that there would be no changes in interest rates. But the number of rate cuts for 2024 was also revised to a total of two to three, while the outlook for growth, inflation and employment for the next few years was improved. The official estimate (FED) of growth was set at 2% for this and the next two years, with an unemployment rate of around 4% and inflation expected to reach its target of 2% in 2026.

Euro area.

For the euro area, we expect low **growth** in 2024, which could be around 0.5% or 0.6%. Euro area output remained stagnant at the end of 2023. According to Eurostat's flash estimate, quarter-on-quarter real GDP growth in the fourth quarter of 2023 was zero, owing to the growing impact of weak global trade and strong monetary policy transmission. This implies that output has remained broadly stable since the third quarter of 2022. Activity is expected to remain weak in the first quarter of 2024. The composite output Purchasing Managers' Index (PMI) remained below 50 in the first few months of 2024. Although it has clearly recovered from its most recent low of 46.5 in October 2023, it is still below the growth threshold of 50. By sector, manufacturing output remained in contractionary territory in the first quarter of 2024. New orders have seen a somewhat greater improvement, possibly related to the decline in pending orders. Services activity had displayed a more stable trend at a higher, but still suppressed, level in recent months, followed by a small uptick from February 2024, suggesting that the decline initiated last year has halted.

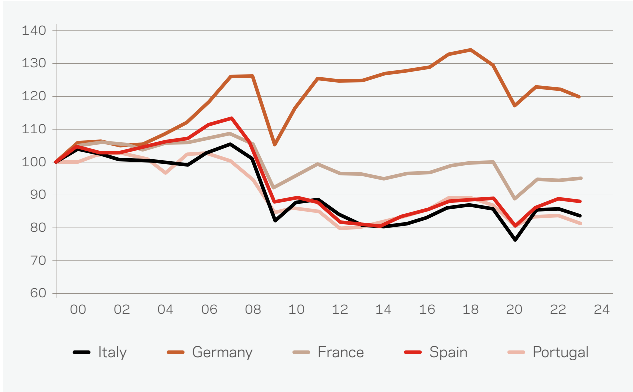
Overall, the **labour market** remained resilient to the weakening of economic activity in the fourth quarter of 2023. Short-term labour market indicators suggest that employment has continued to grow in the first quarter of 2024. Already in the last quarter of 2023 employment increased by 0.3%. On the other hand, preliminary data suggest that average hours worked decreased in that period, indicating persistent labour underutilisation. The unemployment rate fell slightly, from 6.5% in December to 6.4% in January, its lowest level since the introduction of the euro.

As regards trends in **private consumption** in the euro area, our data suggest that private consumption is likely to have stagnated in the fourth quarter of 2023, and the latest figures suggest that the outlook will remain weak in the short term, or at least throughout the first half of 2024. The Commission's indicators of business expectations for retail trade remained at low levels in the first two months of 2024, and expectations for motor vehicle sales deteriorated compared to the fourth quarter of 2023. In contrast, expected demand for contact-intensive services, such as catering and hospitality, remained in growth territory during the first quarter of 2024. The ECB's Consumer Expectations Survey signals resilience in expected demand for holiday bookings. Overall, the current divergence between consumption of goods (low) and services (high) indicates that households have mainly adjusted their consumption of goods to cope with inflationary pressures in recent years, while spending on leisure and tourism and travel has continued to rise, suggesting a shift in **preferences**.

Business investment is likely to have contracted sharply in the fourth quarter of 2023 and is expected to remain weak in the short term. Non-construction investment is estimated to have fallen by 1.6% quarter-on-quarter in the fourth quarter of 2023, while industrial production in the euro area capital goods sector continued to decline. Against the backdrop of a sharp decrease in order backlogs, the marked fall observed in the fourth quarter was probably due to the weakness of activity amid strong monetary policy transmission. As regards short-term expectations, the capital goods sector PMI showed a slowdown in the decline of output and new orders, while more forward-looking data for the wider economy, as reflected in the Sentix investor confidence sub-index for the next six months, have been pointing to a recovery since September 2023. Moreover, the January 2024 euro area bank lending survey indicated that demand for longer-term loans (typically used for fixed capital investment) was expected to rebound into positive territory in the first quarter of 2024.

Divergent industrial preformance in the Euro area

Index Base 100-1999



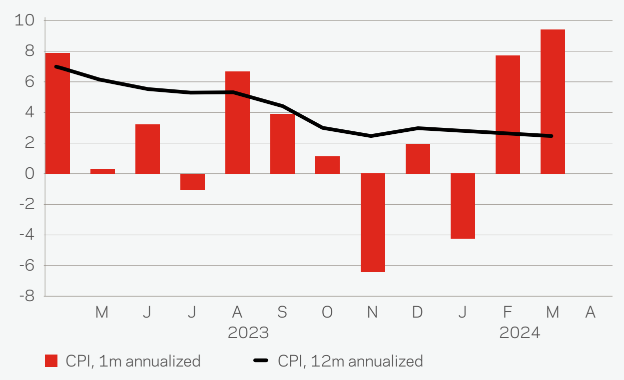
Source: LSEG Datastream/ANDBANK

The March 2024 ECB staff macroeconomic projections for the euro area forecast annual real GDP growth of 0.6% in 2024, rising to 1.5% in 2025 and 1.6% in 2026.

As for euro area **inflation developments**, according to the latest available data, annual inflation continues to moderate, reaching 2.43% in March 2024, due to the gradual fading of the effects of previous shocks to energy costs and supply chain disruptions, as well as weaker demand amid tighter monetary policy. However, we are concerned about the month-on-month readings, which show an acceleration for the second consecutive month, with a large jump, above an annualised 9%. We believe that this jump is driven by temporary factors such as the withdrawal of certain government measures supporting consumption (such as reduced VAT rates, etc.). The elimination of these measures and the introduction of certain taxes could be causing these jumps in prices.

Euro zone inflation - CPI Headline

% Change annualized 1m, 3m, 6m, 12m



Source: LSEG Datastream/ANDBANK

Financial conditions and monetary policy decisions in the euro area. Euro area bank funding costs remained at a high level by historical standards, despite declining bond yields. At the beginning of 2024, interest rates on bank loans to firms remained broadly unchanged, and the cost to non-financial corporations (NFCs) of financing through debt securities increased slightly, while the cost of financing through equity decreased marginally in the first half of 2024. For households, the cost of interest on loans for home purchase declined in the first half of 2024.

In terms of lending volumes, bank lending to firms and households stabilised at low levels in January 2024, in an environment of high lending rates, subdued loan demand and tight credit standards.

United Kingdom.

For the United Kingdom, we expect a poor rate of **economic growth** in 2024. Market consensus puts it even lower than the expected euro area growth rate, at 0.2%-0.3%. In the UK economy, activity was already declining in the fourth quarter of 2023. Real GDP growth surprised to the downside in that quarter, standing at -0.3%, down from -0.1% in the third quarter. This contraction was driven by a fall in net foreign demand, reflecting a sharp decline in services exports. Private consumption and government spending also underperformed, with the fallout in government spending stemming from recurrent strikes in the public sector. Moving into 2024, the composite PMI, retail sales and confidence indicators improved in the early part of the new year, pointing to a recovery of growth momentum in the United Kingdom, thanks to lower financing costs, rising real disposable income and labour market resilience, which supported domestic demand. The labour market in the United Kingdom is gradually cooling but is still tight by historical standards. Labour market tightness, as measured by vacancies per unemployed worker, remains above historical averages. As for private earnings, recent data suggest that nominal wage growth stood at 6.2% in the three-month period to December, slowing slightly from 6.6% in the three months to November, but still at a high level. The slowing is expected to continue.

As regards inflation in the United Kingdom, headline and core CPI inflation remained steady in the early part of the year, at around 4% and 5.1%, respectively. Headline inflation is expected to gradually fall over the next few months.

China.

For China, we project low **growth** of 4.6% for 2024. Recent activity indicators offer mixed signals in the context of a residential real estate market adjustment. The surveys also provide mixed signals for the first few months of this year. The weakness of the residential real estate sector continues to be the main adverse factor for economic activity and is weighing on the growth of private consumption in particular. In 2024, the housing sector continues to adjust, since sales of new homes have dropped steeply and new builds and property sales remain stagnant at very low levels. Against the backdrop of this adverse development, the equity market has recently experienced high volatility, and consumer confidence has dipped, stabilising at a historically low level.

Annual headline CPI inflation fell to -0.8% in January, from -0.3% the previous month, mainly as a result of further declines in food prices. Year-on-year core CPI inflation (excluding energy and food) remained in positive territory, at 0.4%. This low inflation rate is attributable to very low consumer demand.

Japan.

In Japan, we expect a low rate of **growth in activity**, which could be between 0.75% and 1%. In the latter part of 2023, real GDP posted an unexpected decline in the last quarter, with economic activity falling by 0.1% compared to the third quarter of that year. Note that the Japanese economy already contracted by a downwardly revised 0.8% in the third quarter compared to the second quarter. This reflects a relatively broad-based weakness in domestic demand. Nevertheless, looking at early data for 2024, it is likely that growth turned positive at the beginning of the year, buoyed by the improvement in services sector indicators and rising consumer confidence.

Annual headline **inflation** reached 2.2% in January 2024, below the levels observed towards the end of last year. The slowdown in headline inflation reflects, for the most part, a slowdown in food inflation and the fall in energy prices. Core CPI inflation also fell to 2.6% in January, from 2.8% in December. This has made the Central Bank of Japan reluctant to abandon its expansionary monetary policy, delaying any hikes in interest rates (still at 0%). This would explain the weakness of the Yen. We expect a change in monetary policy, as stimuli are withdrawn, and the first interest rate hikes sometime in the second half of the year. This, in a context in which the rest of the central banks are taking the opposite path and lowering rates, should provide some support for the Japanese currency.

Emerging economies of Asia.

Emerging economies face a mixed macroeconomic environment. **China** faces several challenges that limit its growth potential for 2024. IMF forecasts indicate a slowdown in China's GDP growth, which is expected to fall to 4.6% in 2024 from 5.2% in 2023. This moderation reflects a combination of weak domestic demand and an uncertain global environment. Among the main problems in the Chinese economy we highlight the following: 1) A real estate sector in crisis: The real estate sector, a crucial component of the Chinese economy, remains in a deep depression, with investment in decline and home prices falling steadily. The lack of a comprehensive restructuring in the real estate sector could prolong this slowdown. 2) High youth unemployment: The unemployment rate among 16- to 24-year-olds hit an all-time high last summer. Although the Chinese government paused publication of the data for a while, reporting of the youth unemployment rate resumed in December 2023 with a figure of 14.9%. Previously it had reached more than 21% and, in some rural regions, was as high as 40%. If part-time employment and underemployment are included, the figure could be as high as 50%. The causes of this high youth unemployment include insufficient private sector job creation and skills mismatches. While the number of new graduates entering the labour market is increasing, appropriate employment opportunities are not growing at the same rate. This is exacerbated by regulatory burdens that hold back growth in industries that typically employ young people, such as technology. 3) Cultural and economic impact: Demands on young workers in China are high and expectations of having to work long hours for low wages have contributed to a decline in youth labour force participation. In addition, the general deterioration of the economy and the collapse of the real estate market in particular have led to a slowdown in hiring, affecting the jobs that would be most suitable for new entrants to the labour market. These factors combined suggest that the path to stronger growth in China is fraught with significant challenges for 2024.

India's economy is showing strong growth, while infrastructure investments and a government focus on improving transportation have started to significantly boost the economy. The projects include highways and railways dedicated to freight transport, with significant investments aimed at reducing the country's logistics costs from 16% of GDP to 8%. GDP growth is expected to remain strong, supported by improved infrastructure and an active government policy to encourage investment.

Another economy with markedly better economic projections is Vietnam, which continues to stand out as an attractive destination for foreign direct investment (FDI), with a sharp increase in registered capital and new projects in 2024.

The country has experienced impressive economic growth, projected at 6.5% for 2024, and leads the ASEAN region in growth, thanks to an increase in industrial production and exports.

Latin America.

In **Brazil**, growth expectations are poor, barely reaching a rate of 1.6% for 2024 as a whole. Looking ahead to 2025, there is a slight improvement, with growth rising to 2%.

Brazil's economy is showing a disinflationary trend, with the IPCA (Broad Consumer Price Index) significantly below average forecasts, having risen only 0.16% in March, bringing the annual rate to 3.93%. In local politics, President Lula's provisional decree to expand subsidies to the renewable energy sector and the advance payments by Eletrobras could intensify this disinflationary trend, potentially reducing electricity bills by 3.5 to 5.0% in 2024. Despite these positive signs, the persistent inflation in the services sector and the uncertainties around food prices pose challenges to achieving the Central Bank target of 3.0%.

Brazil's dynamic labour market, which has exceeded analysts' expectations, could also influence inflation dynamics in labour-intensive sectors, potentially slowing the convergence of inflation rates.

In this scenario, the BCB has continued to reduce interest rates, with another half a percentage point cut in March. However, in response to recent signs of strength in economic activity in both Brazil and the US, the forward guidance changed from "two cuts of the same magnitude" to "one move of the same magnitude", indicating that the scenario has become more data-dependent.

Meanwhile, fiscal policy remains a point of attention, especially after the financial markets were surprised by a slight change in the rules of the fiscal framework. *The Projeto de Lei de Diretrizes Orçamentárias* (Budget Guidelines Bill) for 2025 sets out a proposal containing a surprise in the form of a zero primary deficit target for 2025, which represents a major change from the previous target of a 0.5% surplus. This decision to postpone austerity is significant in an environment in which government gross debt (GGD) is projected to reach 77.9% of GDP in 2025, with expectations of a decrease only from 2028. In addition to this, the Lower House has approved an amendment that allows the Lula administration to increase spending by BRL 15.7 billion this year, a move that has already been criticised by the market as potentially eroding confidence in Brazil's economic outlook.

In the realm of politics, the right has been gaining some momentum ahead of municipal elections. Quaest's latest opinion poll shows that right-wing governors in four major states are gaining popularity, surpassing President Lula's approval ratings, pointing to a situation where local governments enjoy greater public support than the federal administration. Economic sentiment, too, is changing, with growing pessimism over the direction of the economy, reflected by the decline in Lula's approval ratings. Those right-wing governors are taking advantage of their higher approval ratings and public safety policies to position themselves for the 2026 presidential race, amid growing voter concerns about public safety.

In **Mexico**, expected growth for 2023 is 2.2%, with a gentle decline to 2.1% projected for 2025. Currently, some economic indicators for February have shown a certain deceleration compared to their performance in 2023. Industrial production in the second month of the current year fell marginally, leaving its annual growth at around 3%. The indicator was affected by a fall in construction due to an unfavourable basis of comparison.

In March, headline inflation rose to 4.42%, while core inflation remained close to 4.60%. The downward effect in the index came from the decline in the non-core part, with the result that in the second half of the month inflation was even negative. It should be stressed that core inflation remains persistent as a result of pressure in some services.

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 specified in the risk appetite framework and the Recovery Plas, 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.

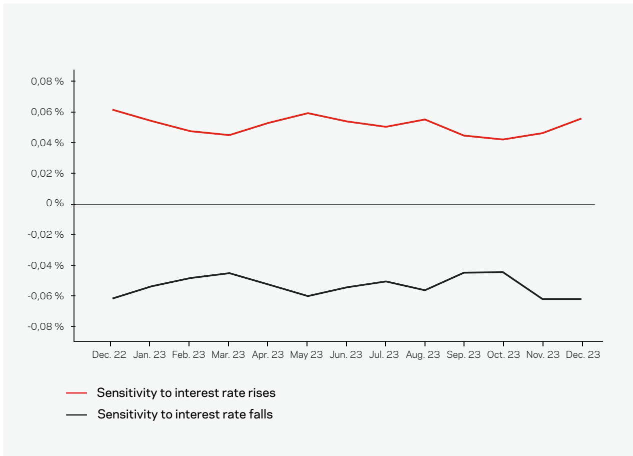
The Asset and Liability Committee (ALCO), as the body responsible for managing interest rate, exchange rate, country, counterparty, liquidity and market risk, meets at monthly intervals. The ALCO is also responsible for balance sheet management and capital management. The ALCO delegates supervision of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

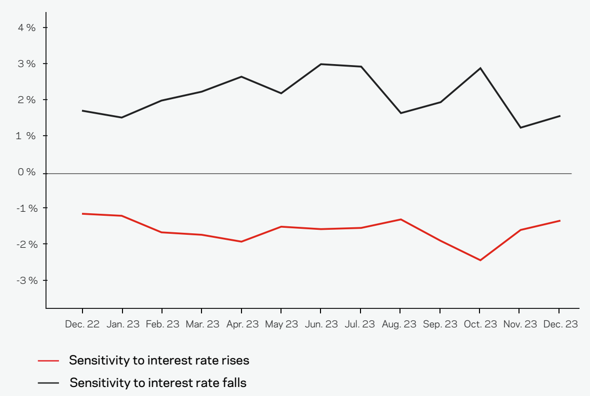
In last year's interest rate environment, the Group maintained positive exposure to shifts in the yield curve, so that the Group's net interest income would increase if interest rates increased and vice versa. The repricing gap of interest rate-sensitive balance sheet assets and liabilities is therefore positive, i.e., asset repricing generally precedes liability repricing. This positioning is reflected in very short-term interbank lending, a loan book mainly at floating rates plus a spread, and the holding of a fixed income portfolio invested mainly in bonds with short and medium-term maturities, although part of the portfolio consists of long-dated fixed-rate bonds to generate additional margin and increase the duration of the balance sheet assets. Many of these bonds are hedged with interest rate derivatives that hedge the duration risk.

Sensitivity of the financial margin to one year



El límit de sensibilitat dels recursos propis com a conseqüència d'un desplaçament paral·lel de la corba de tipus d'interès de 100 punts bàsics va ser aprovat pel Consell d'Administració en un nivell del 5 %. Al llarg de l'any 2023, la sensibilitat dels recursos propis ha fluctuat en terreny negatiu, com a conseqüència de l'estratègia de tipus d'interès adoptada i el posicionament del balanç, però sempre s'ha mantingut per sota d'aquest límit.

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	2023	2022
USD	(2,820)	(35)
GBP	(1,360)	(767)
CHF	390	357
JPY	400	429

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 2023, the average VaR for the trading portfolio was 237 thousand euros, with a high of 489 thousand euros and a low of 82 thousand euros, while the average total position in the trading portfolio was 268 million euros. The trading portfolio is made up mainly of bonds with good credit quality and very short duration, which entails a very small VaR.

				Thousands of Euros
At 31 December 2023	VaR at 31/12/2023	Average VaR for the period	Maximum VaR for the period (*)	Minimum VaR for the period (*)
Interest rate risk	173	220	497	133
Spread risk	98	82	87	99
Diversification effect	(72)	(64)	(95)	(150)
Total	**199**	**237**	**489**	**82**

(*) 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.

Four scenarios are analysed, three of which are historical (2010 Greek crisis, 2001 Twin Towers terrorist attacks and Covid-19 health crisis) and one is hypothetical (simultaneous steepening of the yield curve and widening of credit spreads by 200 bp).

The following table shows the impact of the different 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	Covid-19	Twin Towers	Yield & spreads +200bp	Greek debt crisis	Covid-19	Twin Towers	Yield & spreads +200bp
January	-1.96%	-1.57%	-3.63%	-12.37%	0.26%	-0.05%	0.34%	-1.53%
February	-1.80%	-1.41%	-3.29%	-11.12%	0.09%	-0.15%	0.18%	-1.25%
March	-1.70%	-1.35%	-3.04%	-10.25%	-0.18%	-0.01%	0.07%	-1.49%
April	-1.72%	-1.42%	-3.22%	-10.83%	0.33%	0.00%	0.20%	-1.02%
May	-1.63%	-1.34%	-3.10%	-10.41%	0.38%	-0.04%	0.32%	-1.60%
June	-1.53%	-1.26%	-2.91%	-9.77%	0.35%	-0.04%	0.29%	-1.46%
July	-1.79%	-1.36%	-3.11%	-10.43%	0.18%	-0.01%	0.10%	-0.56%
August	-1.73%	-1.31%	-3.00%	-10.12%	0.22%	0.00%	0.12%	-0.65%
September	-1.56%	-1.16%	-2.69%	-9.09%	0.05%	-0.32%	0.01%	-1.35%
October	-1.58%	-1.16%	-2.68%	-9.04%	0.16%	-0.13%	0.12%	-1.07%
November	-2.45%	-1.37%	-2.83%	-9.98%	-0.07%	0.14%	0.15%	-2.52%
December	-2.65%	-1.42%	-2.57%	-6.70%	1.20%	0.65%	0.91%	-1.66%

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 2023, the Group's fixed-income portfolio was invested in high quality assets, with 24.80% invested in sovereign and public sector securities. As regards concentration, the portfolio is diversified mainly across issuers in the United States, United Kingdom, France, Andorra, Spain and Italy, which account for 87% 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		
	31/12/2023	**31/12/2022**
AAA	39,971	85,339
De AA+ a AA-	268,619	109,938
De A+ a A-	413,431	521,019
BBB+	100,577	144,002
BBB or lower	298,898	276,813
Total	**1,121,495**	**1,137,111**

As regards credit risk exposure in transactions with customers, the Group has gross loans and receivables totalling 3,225 million euros, mainly in credit facilities and loans, a large proportion of which are secured with a pledge of collateral (1,788 million euros) or by mortgage (1,176 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 1.32%, below the average for the financial institutions of neighbouring countries. During 2023, the Group maintained a conservative provisioning policy, with the result that total loan loss provisions are equal to 62% 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, mainly 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 2023 and 2022 by item of the consolidated statement of financial position is presented below without deducting the collateral or credit enhancements obtained to ensure compliance with payment obligations, broken down by the nature of the financial instruments.

Maximum exposure to credit risk	31/12/2023	31/12/2022
		Thousands of Euros
Financial assets held for trading	246,671	389,342
Derivatives	145,836	169,896
Equity instruments	171	239
Debt securities	100,665	219,206
Loans and advances	-	-
Non-trading financial assets mandatorily held at fair value through profit or loss	7,626	8,274
Equity instruments	7,626	8,274
Debt securities	-	-
Financial assets designated at fair value through profit or loss	20,004	11,802
Equity instruments	-	-
Debt securities	20,004	11,802
Loans and advances	-	-
Financial assets at fair value through profit or loss	380,520	233,072
Equity instruments	6,512	7,132
Debt securities	374,008	225,940
Financial assets at amortised cost	4,382,959	5,032,156
Debt securities	626,818	680,596
Loans and advances	3,756,141	4,351,560
Derivatives – Hedge accounting	11,678	19,180
Total risks relating to financial assets	**5,049,459**	**5,693,826**
Loan commitments given	770,172	900,400
Financial guarantees given	97,618	116,430
Other commitments and other guarantees given	28,373	10,446
Total commitments and guarantees given	**896,163**	**1,027,276**
Total maximum exposure to credit risk	**5,945,622**	**6,720,726**

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 an external study.

31 December 2023	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	2,631,816	-	-	-	-	-	2,631,816
Financial assets	121,220	210,788	154,616	319,463	304,091	27,650	1,137,829
Loans and receivables	748,393	676,978	1,325,406	654,021	363,601	(12,257)	3,756,141
Loans and credits to entities	294,216	108,943	78,472	63,181	-	3,550	548,362
Credits to customers	454,177	568,035	1,246,933	590,840	363,601	(15,806)	3,207,780
Derivatives	(0)	-	-	-	-	145,706	145,706
Hedging derivatives	(0)	-	-	-	-	11,678	11,678
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	3,781	3,781
Other assets	-	-	-	-	-	984,586	984,586
Total assets	**3,501,430**	**887,767**	**1,480,021**	**973,484**	**667,692**	**1,161,145**	**8,671,538**
Financial liabilities held for trading	-	-	-	-	-	98,539	98,539
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	2,085,522	900,871	1,451,760	1,995,721	31,032	894,443	7,359,349
Deposits in central banks	6,795	23,280	69,700	-	-	1,927	101,703
Deposits in banks	109,866	338,207	104,976	-	-	9,265	562,314
Customer deposits	1,927,374	522,434	1,107,115	1,936,421	5,199	785,643	6,284,185
Demand	*1,195,185*	*51,294*	*81,435*	*1,735,470*	*5,188*	*767,143*	*3,835,714*
Term	*732,189*	*471,141*	*1,025,680*	*200,951*	*11*	-	*2,429,971*
Unpaid interest incurred	-	-	-	-	-	*18,500*	*18,500*
Other financial liabilities	-	-	-	-	-	-	-
Debt securities	41,486	16,950	169,969	59,300	25,833	-	313,539
Other financial liabilities	-	-	-	-	-	97,607	97,607
Hedging derivatives	-	-	-	-	-	41	41
Liabilities under insurance contracts	-	-	-	-	-	18,846	18,846
Other liabilities	-	-	-	-	-	506,427	506,427
Total liabilities	**2,085,522**	**900,871**	**1,451,760**	**1,995,721**	**31,032**	**1,518,296**	**7,983,202**
Equity	-	-	-	-	33,950	654,386	688,336
Total Liabilities + Equity	**2,085,522**	**900,871**	**1,451,760**	**1,995,721**	**64,982**	**2,172,682**	**8,671,538**
Assets	3,501,430	887,767	1,480,021	973,484	667,692	1,161,145	8,671,538
Liabilities	2,085,522	900,871	1,451,760	1,995,721	64,982	2,172,682	8,671,538
IRS - Derivats	**-**	**37,013**	**100,757**	**(9,163)**	**(134,386)**	**-**	**(5,779)**
SIMPLE GAP	**1,415,908**	**23,908**	**129,018**	**(1,031,401)**	**468,324**	**(1,011,537)**	**(5,779)**
ACCUMULATED GAP	**1,415,908**	**1,439,816**	**1,568,834**	**537,433**	**1,005,757**	**(5,779)**	**(0)**

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 2023, 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 Andbank group's LCR at the end of 2023 was **290%,** well above the regulatory minimum (100%).

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 2023 the Group's NSFR is **164%,** above the regulatory minimum (100%).

Additionally, at regular 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 or gains 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 2023, the capital requirement for operational risk, calculated using the basic indicator method, amounts to 35,682 thousand euros, with an operational risk exposure of 446,027 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 also has an 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 operating entities of the financial system, investor protection, market abuse and financial guarantee agreements, subsequent amendments thereto and the implementing Regulation of Law 8/2013, culminate 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 2023, entities are required to maintain a capital conservation buffer of 1.875%, as well as a capital buffer for systemically important institutions of 0.5%, which must be met with CET1 capital. At 31 December 2023, Andbank's ratios were well above these minimum levels. In this regulatory environment, Andbank's capital ratios at 31 December 2023 are as follows:

	Fully phased-in	Transitional
CET1 ratio	15.02%	15.37%
Tier1 ratio	16.61%	16.94%
Total capital ratio	16.61%	16.94%

Leverage ratio

In this regulatory framework, the Andbank Group is in a strong position, with a transitional leverage ratio of 4.73% at year-end 2023.

06

Corporate social responsibility report 2023

Corporate social responsibility report 2023

1. Introduction

Andbank's commitment to society and the communities around us has enabled us, year after year, to carry out more work whose primary objective is to contribute to social, economic and environmental improvements in the countries in which we operate.

Corporate social responsibility is an enterprise-wide activity that involves different departments. As an institution, we aim to be socially responsible, acting ethically and consistently, and are aware that in all business decisions and actions we must bear in mind the three pillars of sustainability: economic progress, social progress and environmental progress. We are convinced that a company's primary responsibility is to create wealth honestly and sustainably.

To put these commitments into effect, Andbank has a set of internal policies and procedures and a code of conduct, which cover all the group's activity and are designed to ensure that all members of the organisation act ethically and responsibly.

In its relationship and engagement with society in general and Andorra in particular, Andbank seeks to act in the way that will contribute most value to society's members, always aiming for excellence and superior customer service.

The purpose of the Andbank group's annual report is to inform all our stakeholders and society in general about the group's activities during 2021 at the economic, social and environmental level.

2. The Andbank Group

International accolades

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

As key factors for this rating, the agency cited the bank's international scale, its moderate risk profile, its conservative liquidity management, the quality of its assets and its specialisation in private banking. Fitch also made reference to Andbank's size, as the largest financial group in Andorra by assets under management, highlighting its international presence (most notably in Spain), which helps increase the bank's profits.

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		
2021	2022	2023
Claims 240	Claims 306	Claims 410
Complaints 56	Complaints 45	Complaints 76
Enquiries 3	Enquiries 1	Enquiries 0

Means used		
2021	2022	2023
Letter 3%	Letter 0.3%	Letter 0.6%
Form 3 %	Form 1.13 %	Form 0.45 %
Face-to-face 73 %	Face-to-face 84.16 %	Face-to-face 72.22 %
Telephone 1 %	Telephone 0.85 %	Telephone 0.6 %
Email 20 %	Email 13.56 %	Email 26.13 %

Average response time		
2021	2022	2023
15 %	13.6 %	14.91 %

Percent of responses in less than one week		
2020	2022	2023
62 %	55 %	37.24 %

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 (GSI) Fund

This fund, a multi-asset investment vehicle that invests using ESG (environmental, social and governance) criteria, represents Andbank's commitment to sustainable investment. 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.

AndVida and AndSalut

Andbank Assegurances ofereix les seves noves assegurances de vida i salut, en les quals ha incrementat les cobertures per tal d'adaptar-les a la realitat sanitària. Les assegurances de vida i salut ofereixen solucions òptimes als nostres clients, així com unes prestacions adaptades a les seves necessitats i totalment flexibles que els donen l'accés a la medicina més avançada i d'alta qualitat per a un benestar millor.

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.

	2021	2022	2023
Digital users	16,344	19,495	29,636
App users	3,053	7,304	15,109

Myandbank, a fully digital channel that has already been operating for one year, was launched in response to the global trend. It meets one of the reported needs of users in Andorra. During its first year, Myandbank offered a wide range of services and products with very attractive remuneration. With Myandbank, users have a fully 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, Bizum instant payments and, currently, interest of 2% on the current account.

So far, Myandbank offers a number of investment products, including a deposit account at 3%, high-return portfolios with different risk profiles and more than 500 investment funds, selected from among the best funds managed by the top international fund managers with the lowest fees in the market, with the aim of making the best products accessible to all savers.

This new channel 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. All of them pioneering institutions in their field.

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. It also continues to support the Pediatric Cancer Center at Hospital Sant Joan de Déu in Barcelona.

Once again, the bank took part in the award of the 22nd Fero – Andbank Scholarship at the traditional gala, which was held in Barcelona. This year the winner was Dr. Francisco Martínez, for his project on Computational Immunogenomics.

Andbank has also been the driving force behind the oncology wig library. Housed in the Kerala beauty and hair styling centre, the library lends wigs free of charge to people who have lost, or are expecting to lose, their hair as a result of chemotherapy.

During 2023, various steps were taken to acquire more wigs: a charity concert featuring the singers Agustín and Santi, the voices of two legendary bands, Los Diablos and Los Mustang, and a sale of bracelets created by Shiori, with blue agate and river stones.

Initially, the bank had a stock of five wigs, but a further 30 were donated to the library already during its first year.

Solidarity concert - Los Mustang and Los Diablos

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 2023, Andbank was able to support various social, cultural and sporting initiatives with the aim of expanding and maximising the benefits for society.

Social

- Leo Messi Golf Tournament. Collaboration with the Leo Messi Foundation's 1st Pro Am tournament, held at the Vallromanes Golf Club, to raise money for the UNICAS Project for rare diseases, managed by Sant Joan de Déu Hospital.
- Nostra Senyora de Meritxell private foundation. For more than a decade, Andbank has been committed to collaborating with this foundation, which aims to improve the quality of life for people with disabilities.
- Andorran Family Business. Andbank collaborates each year in the Andorran Family Business Forum (EFA). The 21st edition was held in June with the title: 2023: impact investments. An option for family-run companies.
- 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.

Culture

- The 46th Literary Evening, organised by the Cercle de les Arts i les Lletres, was held, this time, in the parish of Sant Julià de Lòria. In relation to the Manuel Cerqueda Escaler prize for short novels, Andbank awarded an honourable mention to the work *La última cena (The Last Supper)* by Laia Solà.
- Collaboration with the Castell de Peralada Festival. This 37th edition comprised two series of concerts, one at Easter and another during the usual months of July and August.
- 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.

Momentum Financial

- Momentum Financial. One of Spain's most important investment communities held its annual investment event in Andorra. Presented by Andbank CEO Carlos Aso, the event was attended by Marc Garrigasait, Carlos Santiso and Alejandro Estebaranz, among others.
- Andorra Economic Forum. Participation in the first economic forum, which was attended by several prominent industry personalities and included various networking spaces. Participants included Daniel Lacalle, Àlex Fusté, Adrià Peribáñez, Ernest Sanchez, Anna Gener, Víctor Dominguez and Marc Urgell.

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 2023, the bank presented its sponsorship of the 2025 Games of the Small States of Europe in Andorra. The agreement was signed by the Group's chairman, Mr Manel Cerqueda, and the Prime Minister of Andorra, Mr Xavier Espot.
- Andorran Ski Federation (FAE). Once again this year Andbank sponsored the cross-country skiing teams. The young skiers Irineu Esteve, Carola Vila and Gina del Rio, from the youth team, achieved excellent results.

Irineu Esteve - Nordic Skiing

Andorran Swimming Federation

- Andorran Swimming Federation (FAN). Andbank continued to support the swimming federation. In 2022 the federation's swimmers took part in the Fukuoka World Swimming Championships, among other national and international competitions.

- Nordic Festival. Andbank collaborated in this event, in which participants competed in a range of disciplines, including biathlon and cross-country skiing, as well as the Marxa Andorra Fons (Andorran Cross-Country Ski Race).
- La Purito. The cycling tour promoted by Joaquim Purito Rodríguez returned in August for its seventh edition, which had 2,000 participants. This year's tour paid tribute to Alberto Contador, who participated with other well-known guests, including Oliver Avilés, Eder Sarabia and Oscar Lanza, as well as the streamer The Gref.
- Manuel Cerqueda Memorial Race. The Andorra Ski Club organised the 34th edition of the traditional veterans' giant slalom.

La Purito

Ice Gladiators

- Andorran Motorcycling Federation. Collaboration in the Ice Gladiators tournament and the Trial Summer Camp, and with the 'Trial de las Naciones' team. Sponsorship of 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.

In 2023, various grants were awarded for extremely urgent needs, such as the war in Ukraine. The bank also collaborated with research into Dent disease through an initiative to complete a bicycle route for the Camino de Santiago starting from Andorra.

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 around the world

The bank's commitment extends beyond Andorra and it strives to build close ties with society in all the jurisdictions in which it is present, bringing the same corporate social responsibility (CSR) ideology to each country.

Andbank Spain, again in line with the Group's CSR strategy, supports cancer research projects and foundations, as well as charities, educational projects and disadvantaged communities.

In cancer research, through the CRIS Cancer Foundation, the bank is supporting the construction of a special unit for advanced childhood cancer therapies on the 8th floor of the Hospital de la Paz in Madrid; and the STAb project run by the CRIS Immunotherapy Unit at the 12 de Octubre Hospital, also in Madrid. It continues to support the Fero Foundation as the main sponsor of the awards dinner for oncology research in Barcelona. Similarly, it has collaborated as a founding donor to the Sant Joan de Déu Hospital for the construction of the new Pediatric Cancer Center, the largest childhood cancer research and treatment centre in Europe, and with the Contigo Foundation against Women's Cancer as a sponsor of the foundation's gala in Madrid.

It works with charitable foundations such as

- the Casaverde Foundation, which promotes research and scientific, medical and technological innovation in the field of health, by collaborating in various projects to provide assistance, rehabilitation and care to people in situations of dependence;

- the ConecTEA Foundation, which seeks to improve the lives of people affected by Autism Spectrum Disorder (ASD);
- AECC, a Spanish anti-cancer association, by supporting the startup of a medically equipped apartment in Seville and the gala dinner on the Costa Brava; and
- the Isabel Gemio Foundation, by contributing to projects for research into muscular dystrophies and other rare diseases.

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

As regards training, Andbank Spain supports the Maria Jesús Soto Foundation, which promotes financial education by holding training sessions for children and young people, talks in schools and presentations to various groups. And it collaborates with the IQS foundation, linked to the world of industry and business, by awarding a scholarship for the master's program in wealth management.

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. 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 2023, it continued with its plan to reduce energy consumption and achieve an overall reduction of at least 15% by ensuring responsible use of its facilities and responsible consumption of office materials, electricity and water.

This plan is focused on reducing:

- 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. Paper correspondence was eliminated in 2023 and, with the current lower-consumption printers, toner reduction continues. The campaign to use lower grammage paper is also continuing.

Materials Consumption Unit	2022	2023
Total consumption A4	9,930 kg	5440kg
Total consumption A3	307 kg	312 kg
Total consumption envelopes	618 kg	350 kg

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

Waste generated	2022	2023
Recyclable materials separated (t/kg)	228 kg	250 kg
Waste taken to landfill	530 kg	550 kg

Waste recycled	2022	2023
Paper	21,620 kg	23,000 kg
Batteries	49 kg	35 kg
Plastic caps	97 kg	200 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 are equipped with a system of motion sensors, which keeps lights turned off when nobody is there, so as to save electricity.

Energy	2022	2023
Total electricity consumed	2,927,912 kWh	2,317,002 kWh
Electricity consumed/ employee	8,766 kWh	6,855 kWh
Total diesel oil consumed	147,350 m³	83,991 m³
Diesel oil consumed/ employee	441 m³	248 m³

Water	2022	2023
Total water consumed	5,900 m³	7,208 m³
Water consumed/ employee	17.7 m³	21.3 m³

07

Human team structure

Human team structure

The Andbank Group ended 2023 with a total workforce of 1,276 employees, of which 334 work in Andorra and the remaining 923 in the various subsidiaries.

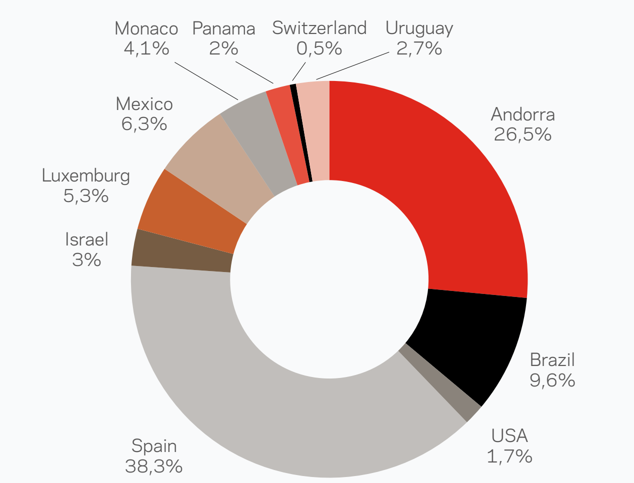
These figures represent, once again, growth of 2% compared to 2022. The subsidiary with the highest rate of growth was Luxembourg (10%), followed by Spain (3%).

Gender, age and length of service

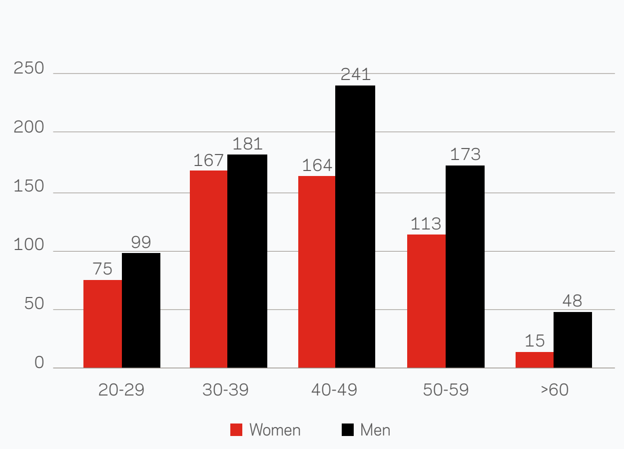
Of the total workforce, 41.85% are women and 58.15% are men.

The average length of service is approximately 7.8 years.

Employees by subsidiary



Average Age



	Women		Change	Men		Change	Total		Change
	2022	2023	2022 vs 2023	2022	2023	2022 vs 2023	2022	2023	2022 vs 2023
People	522	534	2.30%	735	742	0.95%	1.257	1.276	1.51%
Average age	41.05	41.78	1.78%	42.96	43.66	1.63%	42	42.87	2.07%
Average length of service	7.54	7.62	1.06%	7.45	7.92	6.31%	7.48	7.8	4.28%

The subsidiary with the longest-serving employees is Andorra (an average of more than 13 years' service) and the one with the lowest average length of service is Brazil (just over three years).

The average age is approximately 43, with the 40-49 age group accounting for 31.74% of the Group's workforce, followed by the 30-39 age group, accounting for 27.27%.

Characteristics of the Andbank team

At present, the Andbank Group's workforce includes 34 nationalities, so diversity is a key characteristic.

We continue to aim to hire highly qualified staff, and 79.90% of current employees have higher education.

Developing talent

Given its commitment to people development and the need to be equipped to meet professional challenges, Andbank offers all employees training to expand and update their knowledge and acquire skills in new 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

Andbank Campus

Andbank has its own platform, through which it provides a range of training activities, depending on needs and regulations in each country.

- In Andorra, a total of 14 training actions were carried out. Of these, 10 were part of the mandatory training for new hires, three were regulatory trainings for the entire workforce, and one was aimed at a group of employees in the IT area.
- In Luxembourg, two training actions were carried out. One was regulatory and the other was supplementary training to inform the entire workforce about the introduction of a new work tool.
- In Spain, 23 training actions were carried out, and 20 training actions were targeted at agents. In both cases three of the actions were regulatory training programs for the entire group. Another three were focused on MiFID re-certification and the rest covered financial products.

Supplementary training

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

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

Business area employees may receive training towards European Investment Practitioner (EIP) certification, as this essential to be able to offer a good service. There is also the option of continuing to grow by obtaining the European Financial Advisor (EFA) Level 2 certificate.

Of the 15 employees enrolled in the preparatory course for EIP certification, 11 took the exam and nine obtained the certificate. Of the eight employees enrolled in the preparatory course for EFA Level 2, four took the exam and three passed. The rest are continuing with the preparatory course and will take the exam in 2024.

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. Nine Andbank Group employees enrolled in the Anti-Money Laundering Certified Associate (AMLCA) course and six, in the Office of Foreign Assets Control (OFAC) sanctions course.

The employees who took part in this training were from the subsidiaries in Andorra, Spain, Panama, Monaco and Luxembourg.

Employee Experience

- **Six-month interview:** The follow-up interviews conducted with new employees after at least six months at the company resumed during 2023. The primary aim of these interviews is to assess how well the new employee is settling in to the company, identify any obstacles or needs, gather feedback on the induction process, and ensure that the person has the necessary tools and knowledge to perform their role effectively. A total of 35 new hires were interviewed over the course of 2023. The following are some of the findings:

Responses to the question: How do you rate the following items?

	Very Satisfactory	Moderately Satisfactory	Unsatisfactory	N/A
Working environment	93.75%	6.25%	0.00%	0.00%
Relationship with colleagues	87.50%	12.50%	0.00%	0.00%
Relationship with superiors	81.25%	18.75%	0.00%	0.00%
Team work	71.90%	28.10%	0.00%	0.00%

On average, 9 out of 10 of the employees interviewed would recommend Andbank and their department as a place to work.

- **Exit interviews:** Exit interviews were introduced. They are conducted with professionals who voluntarily leave the company. The main purpose of these interviews is to get a clearer picture of the reasons why people choose to give up their job and leave Andbank. They provide an opportunity to learn about features of the organisation, management or the working environment that could be improved. In 2023, exit interviews were conducted with 11 people.

Andbank Trainee Programme

This is 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.

The Andbank Trainee Programme offers university students the opportunity to do internships during the summer, so as to learn and gain work experience. The paid internships can be done in any department of the bank and the chosen candidates are assigned specialised mentors in each area.

During the summer of 2023, a total of 27 young students joined the programme: 15 did their internship in the bank's various branches in Andorra and the remaining 12, in different departments at the Andorra Business Centre.

Employee Benefits

Andbank seeks always to offer its employees benefits that foster well-being. A compressed hours working arrangement was piloted during August 2023, mainly with a view to facilitating work-life balance. In light of the success of the pilot, it was decided that the initiative should be repeated, extending the period to cover July and August 2024.

To expand the range of benefits, Andbank gave all employees access to a new online portal that offers discounts on purchases of various items.

08

Governance Structure

Governance Structure

Chairmanship

Manel Cerqueda Donadeu
Chairman

Sergi Pallerola Gene
Deputy

Board of Directors

Carmen Aquerreta Ferraz
Director

Manel Cerqueda Díez
Director

Maria Creus Ribas
Director

Javier Gómez-Acebo Saenz de Heredia
Director

Jorge Maortua Ruiz-López
Director

Albert Rosés Noguer
Director

Jaume Serra Serra
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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Brazil
Uruguay

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