ANDBANK
Private Bankers

Andbank Luxembourg

2019 Pillar III Disclosure Report

Glossary

ALCO – Asset and Liquidity Committee

ALM/CFT – Anti-Money Laundering and Combating the Financing of Terrorism

AUM – Assets Under Management

BCP – Business Contingency Plan

BIA – Basic Indicator Approach

BoD – Board of Directors

CET 1 – Common Equity Tier 1

CRM – Credit Risk Mitigation

CRR – Capital Requirements Regulation

CSSF – Commission de Surveillance du Secteur Financier

DRP – Disaster Recovery Plan

ECL – Expected Credit Loss

FVOCI – Fair Value through Other Comprehensive Income

ICAAP – Internal Capital Adequacy Assessment Process

IFA – Independent Financial Advisor

KRI – Key Risk Indicator

KYC – Know Your Client

MiFID – Markets in Financial Instruments Directive

NPL – Non Performing Loan

RCSA – Risk Control Self Assessment

RM – Risk Management Department

SA – Standardized Approach

VaR – Value At Risk

VBP – Value Basis Point

Table of content

1 Introduction & General Requirements for disclosure 5
2 Risk Management Objectives and Policies 6
2.1 Bank's Overview 6
2.2 Governance and Committees 7
2.2.1 Executive management bodies 7
2.2.1.1 Board of Directors 7
2.2.1.2 Authorized Management 9
2.2.2 Other decision making bodies depending on the Board of Directors 10
2.2.2.1 Specialized Audit Committee 10
2.2.2.2 Specialized nominations and remunerations committee 11
2.2.2.3 Specialized compliance committee 12
2.2.2.4 Specialized Risk Management Committee 13
2.2.3 Other Committees not depending on the board of directors 13
2.2.3.1 Credit committee 13
2.2.3.2 Accounting Committee 14
2.2.3.3 Private banking Committee 14
2.2.3.4 Assets and liabilities committee (ALCO) 14
2.2.3.5 New product approval committee 15
2.2.3.6 IFA committee 15
2.2.3.7 Regulatory Committee 15
2.3 Risk Management Framework 16
3 Own funds 17
4 Capital Requirements 22
5 Credit Risk 23
5.1 Standardized approach 23
5.2 Credit risk limits 25
5.3 Credit risk Mitigation 26
5.4 NPL and Specific and general credit risk adjustments 28
5.5 Exposures in equities not included in the trading book 30
5.6 Counterparty Credit Risk 30
6 Operational Risk 31

7 Market Risk 32
8 Liquidity Risk 34
9 Other risks 35
9.1 Compliance Risk 35
9.2 Legal Risk 36
10 Leverage ratio 37
11 Unencumbered assets 39
12 Capital buffers 41
12.1 Capital Conservation Buffer 41
12.2 Countercyclical buffer 41
13 Remuneration 43
14 Appendix 44
14.1 BoD skills and expertise 44
14.2 Disclosure index providing information on where information required by the different articles in Part Eight of the CRR can be found. 47

List of Tables

Tableau 1 : BoD composition and Directorships 8
Tableau 2: Own funds disclosure - Annex IV of Commission Implementing Regulation N°1423/2013 21
Tableau 3 : Capital requirements 22
Tableau 4 : Pillar II requirements 22
Tableau 5 : Breakdown of total exposures by risk weights 23
Tableau 6 : Detail of exposures to different classes 24
Tableau 7 : On and off balance sheet exposures subject to credit per country 24
Tableau 8 : Residual maturity breakdown by exposure classes 25
Tableau 9 : Large exposures 25
Tableau 10 : Collateral value breakdown per country 27
Tableau 11 : Collateral value breakdown by sector 27
Tableau 12 : Assets risk classification 28
Tableau 13 :Geographical and counterparty breakdown of Stage 3 exposures 28
Tableau 14 : Provisions 28
Tableau 15 : Movement in allowance and provisions for credit losses 29
Tableau 16 : Exposures in equities non included in the trading book 30
Tableau 17 : IRRBB stress testing outcomes Financial Margin 32
Tableau 18 : IRRBB stress testing outcomes EVE 33
Tableau 19 : Main components of the LCR 34
Tableau 20 : Leverage ratio-Annex I of Commission Implementing Regulation N°2016/2003 37
Tableau 21 : Leverage ratio movements during the period 38
Tableau 22 : Source of encumbrance – Annex I – Template C of Commission Delegated Regulation 2017/2295 39
Tableau 23 : Encumbered and unencumbered assets – Annex I – Template A of Commission Delegated Regulation 2017/2295 40
Tableau 24 : Amount of institution-specific countercyclical capital buffer – Annex I Table 2 of the Commission Delegated Regulation 2015/1555 41
Tableau 25 : Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer – Annex I Table 1 of the Commission Delegated Regulation 2015/1555 42

1 Introduction & General Requirements for disclosure

This report provides Pillar III disclosure for Andbank Luxembourg S.A (the "Bank") on an individual basis as of 31st December 2019. The aim of the Pillar III standards is to improve comparability and consistency of disclosures through the introduction of a harmonized disclosure report.

The objective of this report is to present to the stakeholders the risk assumed by Andbank Luxembourg S.A. throughout the on-going of banking activities, market strategy and Risk Management framework as well as the corporate governance and the own funds regulatory provisions to face losses in case of unexpected events.

The document aims to provide disclosure on different topics as required by the Basel framework, enforced in the European Union by the Directive 2013/36 ("CRD IV") and the Regulation 575/2013 ("CRR"). In December 2016, the European Banking Authority has published the "Guidelines on disclosure requirements under Part Eight of Regulation (EU) no 575/2013", amended on the 09th of June 2017 enhancing the consistency and the comparability of the banks regulatory disclosure by defining specific fixed format templates for quantitative information. The Commission de Surveillance du Secteur Financier ("CSSF") has adopted these guidelines through the Circular 17/673. The present Pillar III disclosure report follows the guidelines and the recommendations described in the EBA/GL/2016/11.

The information disclosed in the present document covers the statements of the Bank. The Bank has not sought any exemption from the disclosure requirements on the basis of materiality or on the basis of proprietary or confidential information. This disclosure is made annually and published as soon as practicable after the publication of its Annual Report and Financial Statement. The Bank will reassess the frequency of disclosure in light of any material change in its business structure, the approach used for the calculation of capital or regulatory requirements.

This Pillar III report has been drafted by the Chief Risk Officer, approved by Authorized Management and the Specialized Risk Management Committee, and ultimately approved by the Board of Directors on 24th September 2020. These approvals are a declaration on the adequacy of the risk management arrangements of the institution providing assurance that the risk management systems in place are adequate for the Bank's profile and strategy. The Bank's overall risk profile as presented in the document is considered to be moderate to low and in line with its risk tolerance and business model.

2 Risk Management Objectives and Policies

2.1 Bank's Overview

Andbank Luxembourg is a bank under Luxembourg Law belonging to the Andbank Group. The Bank is a limited company incorporated on 23rd November 2009 for an indefinite period. The Bank's registered office is 4, Rue Jean Monnet, L-2180 Luxembourg. At 31st December 2019, the Bank had 32 employees in Luxembourg.

The Bank's corporate object is to receive deposits and other funds repayable to individuals and to offer all services that a bank may perform in accordance with Luxembourg law, including those of an investment company. On case by case basis the Bank might grant credit facilities mainly linked to the private banking activity (i.e. Lombard credit lines or leveraged loans). The Bank may also make investments of any kind in companies based in Luxembourg or abroad, through the purchase, sale, exchange or other of equities, bonds, bond certificates or any other securities, as well as administer, develop and manage its own portfolio. The Bank may lend or borrow preferably with underlying collateral, although there might be the case where collateral might not be available. The borrowed funds are solely used for the Bank's objective or that of the Bank's subsidiaries or affiliated companies. Overall, Andbank Luxembourg's core business is to provide private banking services to its clients.

On 14th April 2010, the Bank obtained ministerial approval to perform all banking transactions as permitted by the Law of 5th April 1993 on the financial sector, as amended.

On 22nd August 2012, the Bank got the approval from the CSSF to perform investment funds related activities for SIF's. The Bank started these activities in November 2012. In 2015 transfer agent and central administration activities have been terminated. Since May 2018, the Bank stopped the Depositary activity.

Andbank Luxembourg Group is composed of three entities, Andbank Luxembourg, Andbank Asset Management Luxembourg (hereafter the Manco) and Andbank RE General Partner SARL. As of 31st of December of 2019, the Manco is valued at EUR 2,263K and the RE General Partner at EUR 12K, as disclosed in the Bank's financial statement.

The Bank's accounting policies are in accordance with regulations in force in the Grand Duchy of Luxembourg and, in particular, the modified law of 17th June 1992, relating to the annual accounts and consolidated accounts of credit institutions and are in accordance with the going concern principle.

In accordance with the amended Law of 17th June 1992 the Bank is using the mixed accounting regime consisting in LUX GAAP with IAS options ("IAS Option") starting 31st December 2017. This change in the accounting regime has been confirmed by the CSSF on 7th November 2016. The IAS option relates to the valuation at fair value of the debt securities and other fixed-income securities.

2.2 Governance and Committees

2.2.1 Executive management bodies

Two bodies compose the executive management of the Bank: the Board of Directors and the Authorized Managers (previously referred as Management Committee).

The Bank has put in place a policy for selecting and assessing members of the management body and/or key function holders. This policy complies with the internal governance principles and refers to the criteria of CSSF Circular 12/552 as amended. The Bank also informs by formal letter sent to CSSF about any appointments. For the appointments of a member of the management body and/or a key function holder, the Bank should wait for CSSF's no objection letter. The Bank considers as key function the persons in charge of the three internal control functions (Chief Compliance Officer, Chief Internal Auditor, and Chief Risk Officer).

The Board of Directors as a whole has appropriate skills with regard to the nature, scale and complexity of the activities and the organization of the Bank. As a collective body, the Board of Directors fully understands all activities (and inherent risks) as well as the economic and regulatory environment in which the Bank operates. Each member of the Board of Directors has a complete understanding of the internal governance arrangements and her/his responsibilities within the Bank. The members of the Board of Directors control the activities falling within their areas of expertise and have a sound understanding of the other significant activities of the Bank.

The Bank assesses the suitability of the candidate with a declaration of honour, Curriculum Vitae, extract of criminal records and copy of the ID. The members of the Board of Directors ensure that their personal qualities enable them to properly perform their Director's mandate with the required commitment, availability, objectivity, critical thinking and independence. The members of the Board of Directors make sure that their director's mandate is and remains compatible with any other positions and interests they may have, in particular in terms of conflicts of interest and availability. They are requested to inform the Board of Directors of the mandates they have outside the Bank.

The Board of Directors has the overall responsibility for the Bank. In this respect, the Board of Directors is invested with the broadest powers to perform all acts of administration and disposition in the Bank's interest to ensure execution of activities and to promote its business continuity. The professional qualifications and the full professional biographies of all Directors are maintained and monitored by the Human Resources department of the Bank.

2.2.1.1 Board of Directors

The Bank is managed by a Board of Directors ("the Board") which must consist of at least three members. The powers of the Board are defined in the Bank's Articles of Association. The Board adopts the Bank's strategy and general policy.

The Board sets out the strategy for the Bank and has the overall responsibility for the Bank.

The Board of Directors of the Bank is composed of seven members that hold the following directorships (excluding Andbank Luxembourg), according to the last available data provided by themselves:

Board of Directors members	Function	Directorships
Alberto Garfunkel	Chairman	4
Alfonso Amaro Pérez	Managing Director	0
Ricardo Rodríguez Fernández	Managing Director	2
Carlos Aso Miranda	Director	5
José Luis Muñoz Lasuén	Director	6
Josep Xavier Casanovas Arasa	Director	3
Anna Olsina	Director	0

Tableau 1 : BoD composition and Directorships

The Board sets and oversees:

- The overall business strategy, considering the Group's long term financial interests and solvency and liquidity situation.
- The overall risk strategy and policy, including its risk tolerance/appetite and its risk management framework.
- The guiding principles of a clear and consistent organisational and operational structure.
- The guiding principles as regards to information systems, including the security aspects, and internal communication arrangements, including the internal "whistle-blower" procedures.
- The guiding principles relating to remuneration policy, escalation, settlement and sanctions. The purpose of these guiding principles is to ensure that any behaviour which does not comply with the applicable rules is properly investigated and sanctioned.
- The governance principles and corporate values, including a code of conduct, mentioning the management of conflicts of interest.

According to the CSSF Circular 12/552 as amended, the Board shall, in particular, assess and approve:

- The adequacy of the risks incurred with the institution's ability to manage these risks and the internal and regulatory own funds and liquidity reserves taking into account the existing regulations.
- The strategies and guiding principles in order to improve them and to adapt them to internal and external, current and anticipated changes, as well as to the lessons learnt from the past.
- The manner in which the Authorized Management meets the responsibilities set out in CSSF Circular 12/552 as amended.

- The adequacy of the organisational, operational and internal control structure, making sure the arrangements put in place by the Authorized management are efficient and effective.

In order to perform all these functions, the Board of the Bank is formed by an adequate number of members and an appropriate composition, being able to act objectively, critically and independently. Board members have to disclose and avoid any conflict of interest. Board members make sure that their director's mandate is and remains compatible with any other positions and interests they may have, in particular in terms of conflicts of interest and availability. They shall inform the Board of Directors of the mandates they have outside the institution.

The Board is also assisted by four Specialized committees:

- Specialized Nominations and Remuneration Committee;
- Specialized Audit Committee;
- Specialized Risk Management Committee;
- Specialized Compliance Committee.

The Board may seek support from the Specialized Audit Committee for certain of the tasks listed above. All decisions taken by the Board are documented and archived. The Board should meet as often as the interests of the Bank requires, at least four times per year.

2.2.1.2 Authorized Management

At 31st December 2019, the Authorized Management is composed of three permanent members. The Authorized Management is responsible for the management of the business and functions as delegated by the Board of Directors accordingly. In particular, and without limitation, the Authorized Management shall have the following duties:

- Implement the strategies and policies agreed upon by the Board.
- Regularly assess the achievement of the targets for the business.
- Prepare corporate policies, strategies and strategic plans for the attention of and approval by the Board or its committees.
- Submit the following to the Board or to one of its committees for approval or advice in accordance with such regulations and standards as are promulgated by the Board from time to time:
    a. Appoint and removal associates with material impact on the business
    b. Capital investments, financial measures, and the acquisition or divestiture of companies, participations and businesses of material significance in accordance with such regulations and standards as are promulgated by the Board from time to time
    c. Significant agreements with third parties and engagement in new business activities.

d. The revenue, financial, and investment budgets of the business and its divisions, business units and supporting functions, including any addenda thereto.

- Implement the matters approved by the Board.
- Prepare and submit quarterly and annual reports for the attention of and approval by the Board or its committees and to keep the Board informed of all matters of material significance to the business.
- Implement modifications to the organisation of the business to ensure efficient operation of the business and achievement of optimised consolidated results.
- Promote an active internal and external communications policy.
- Ensure that management capacity, financial and other resources are provided and used efficiently.
- Promulgate guidelines, including guidelines for planning, controlling, reporting, finance, personnel, information and other technologies.
- Promote an internal control culture.
- Deal with such other matters as are delegated by the Board to the Authorized Management.

2.2.2 Other decision making bodies depending on the Board of Directors

2.2.2.1 Specialized Audit Committee

The purpose of the Specialized Audit Committee is to assist the Board in the areas of financial information, internal control, including internal and external audit. The Specialized Audit Committee meets on a quarterly basis. As of 31st December 2019 it was composed of three non-executive directors. The Chief Internal Auditor acts as secretary of the Committee. The Specialized Audit Committee deliberates on:

- Monitoring the elaboration process of financial reports.
- Approving triannual audit plan, on Chief Internal Auditor's proposal.
- Supervising the quality and thoroughness of the works carried out by the internal audit function, as well as ensuring their Independence.
- Reviewing the annual summary report on the internal audit activities and submitting it for approval to the BoD.
- Annual review and approval of internal audit policies before submission to the approval of the BoD.
- Appointment, revocation and remuneration of the external auditors.

- Supervising the work done by the external auditors, analysing the audit plan, annual reports, and long form report and management letter.
- Supervising the independence of the external auditors in light of the other services provided to the Bank.
- Monitoring the implementation of the improvements recommended to the Authorized Managers by the auditors.
- Verifying the respect to the legal provisions and CSSF rules for the annual accounts.

2.2.2.2 Specialized nominations and remunerations committee

The Specialized Nomination and Remuneration Committee meets, at least, on an annual basis and as of December 2019 it is composed of two non-executive Directors and the secretary, whom is the responsible of the Human Resources and is not a member of the Board. The role of the Specialized Nomination and Remuneration Committee is to assist the Board in the following areas:

Nominations:

- Recommend and review the criteria and internal procedures that need to be followed to select new Directors, Authorized Managers and key internal functions, as well as its regular assessment. In particular, the committee should set the level of knowledge and experience needed to hold these positions, assessing also new Director's availability.
- Set, with objectivity and adequacy to the strategy and long term interests of the Bank, the standards of nomination, renewal or dismissal of the aforementioned positions and the committees' memberships.
- Review annually the performance of the Board members.
- Recommend and review the internal procedures to appoint and evaluate the Authorized Managers and key functions.
- Make sure that Directors comply with the obligations set out in the Board internal rules.
- Review the declaration of mandates, conflict of interests and self-assessment of the Board members.
- Examine and review the succession plans of the Board members and Authorized Managers as well as put forward to the Board the alternatives of successions in an orderly manner.

Remunerations:

- Review and present to the Board the Remuneration Policy.
- Oversee the implementation of the Remuneration Policy.
- Ensure that the overall corporate governance principles and structures are considered, with the design and implementation of the remuneration policies and practices.
- Propose to the Board the principles and design of the remuneration plans.
- Submit to the Board the proposal for the remuneration of the Board members.
- Submit to the Board the compensation and terms of engagements of the Authorized Management.

2.2.2.3 Specialized compliance committee

The Specialized Compliance Committee has a quarterly frequency and as of December 2019 it is composed of two non-executive Directors and the secretary is the Chief Compliance Officer. The committee has the following roles and responsibilities in its function to assist the Board in its duties:

- The committee shall have oversight responsibility for compliance matters, including the Bank's overall compliance programs, policies and procedures; significant legal or regulatory compliance exposure; and material reports or inquiries from government or regulatory agencies.
- Compliance programs, policies and procedures. The committee shall oversee the Bank's compliance efforts with respect to the relevant policies, the Bank's Code of Ethics, and other relevant laws and regulations. The Committee shall monitor the Bank's efforts to implement compliance programs, policies and procedures that are designed to be:
    - ✓ Responsive to the various compliance and regulatory risks faced by the Bank.
    - ✓ Communicated in an effective manner to the Bank's employees.
    - ✓ Designed to encourage a lawful and ethical business conduct by the Bank's employees.
- The committee shall monitor the Bank's efforts to implement legal and regulatory obligations arising from settlement agreements and other similar documents or orders. The Committee shall also review and issue any reports required by settlement agreements or other relevant legal obligations.
- The committee shall oversee the investigation of and may also request the investigation of any significant instance of non-compliance with laws or the Bank's compliance programs, policies or procedures, or potential compliance violations that are reported to the committee; provided, however, that matters related to financial

non-compliance or potential financial compliance violations shall be directed to the Specialized Audit Committee for investigation.

- The committee shall oversee the review of complaints received from internal and external sources.
- Review of the compliance report and compliance charter.
- The committee shall periodically review the Bank's efforts towards transparency and disclosure of its remuneration business practices in conjunction with the Specialized Nominations and Remuneration Committee.
- The committee shall review the effective implementation of global policies and procedures and their consistency with local regulation.
- The committee shall review in advance all new significant business projects prior their final review by the Board.
- The committee shall also carry out all other duties as may be delegated to it by the Board.

2.2.2.4 Specialized Risk Management Committee

The Specialized Risk Management Committee meets at least quarterly and as of December 2019 it is composed of the two non-executive directors and the Chief Risk Officer acts as secretary of the committee. The purpose of the Specialized Risk Committee is to assist the Board in its mission to assess the adequacy between the risks incurred by the Bank and its ability to manage these risks and the financial situation of the group in terms of capital and liquidity. It also assists the Board on the definition of the overall risk strategy.

The committee deliberates on:

- Status of the risk management in regards to the regulatory requirements.
- The risk situation, its future development and its adequacy with the Bank's risk strategy.
- Review of the Internal Capital Adequacy Assessment Process (ICAAP).
- The follow-up of the recommendations given to the Authorized Management and the actions to be taken in case of weaknesses identified by the control function.
- Actions to be taken in case of problems, deficiencies or irregularities highlighted by the risk management function.

2.2.3 Other Committees not depending on the board of directors

2.2.3.1 Credit committee

The Credit Committee meets at least on a weekly basis and it is composed of the Managing Directors and representative members of the Credit department. It is responsible for:

- Analysing any new credit file presented by the sales account managers.

- Analysing and review proposals of new credits to be presented to the Credit Committee of Andorra.
- Approving or rejecting credit applications.
- Ensuring proper execution of the operation once it is approved.

2.2.3.2 Accounting Committee

The Accounting Committee meets on a monthly basis and it is composed by the Managing Directors and the Head of Finance. The committee has the following objectives:

- Close the monthly, quarterly and annual accounting reports.
- Control the transmission in due course of the internal and regulatory reporting.
- Discuss the draft of the budget under the supervision of the Authorized Management.
- Perform the monthly follow up of the budget and dashboards, necessary to the management of the Bank.

2.2.3.3 Private banking Committee

The Private Banking Committee meets monthly and it is composed of the Managing Director responsible for the Private Banking activity, members of the Senior Private Bankers department, a member of the Investment Desk and a member of Service Desk department. The committee has the following objectives:

- Control the compliance with the current procedures.
- Provide statistics on the department, such as:
    - ✓ Entries/exits of Assets under Management (AUM).
    - ✓ Profitability of clients.
    - ✓ Commercial approaches.

2.2.3.4 Assets and liabilities committee (ALCO)

The ALCO meets at least once quarterly and it is composed of at least one Managing Director, the Chief Risk Officer, a member of the Dealing Room and the Global Treasury Director. The committee has the following objectives:

- Review the relevant developments in the financial markets and their potential impact on the Bank (interest rates, credit spreads and others).
- Analyse the liquidity situation and funding needs of the Bank and its medium term projections.
- Review the performance of the securities portfolio and analyse potential changes.
- Review the risks described in the risk policy and limits.

2.2.3.5 New product approval committee

The New Product Approval Committee meets on demand and it is composed of at least one Managing Director, the Head of Legal and the Chief Compliance Officer. The Committee has the following objectives:

- Suggest to the Authorized Management the strategy to follow in terms of products and strategies, set by the Board.
- Ensure that all the activities have the procedures and the necessary tools for a satisfactory performance.
- Updating procedures and ensuring enforcement tools for new approved products to before being launched.
- Ensure that all the necessary new product authorisations are obtained before the start of the new activity

2.2.3.6 IFA committee

The IFA Committee meets at least on a quarterly basis, and it is composed of at least one Managing Director, the Head of IFA Desk, the Head of Legal and the Chief Compliance Officer. The committee has the following objectives:

- Acceptance of new agents and discussion of the conditions of the contracts.
- Discussion and approval/rejection of modifications on the contractual relationships with agents.
- Analysis on the IFA's Return on Assets.
- Discussion of the maintenance or cancellation of the contractual relationships with agents.

2.2.3.7 Regulatory Committee

The Committee has the following objectives:

- Analyzing all regulations to be applicable to AndBank Luxembourg.
- Creating workshops and/or teamworks to implement the new regulations applicable to AndBank Luxembourg.
- Dealing with the Global Regulatory Committee in Head Quarters in order to get efficiency in both points above.

2.3 Risk Management Framework

The Bank established a comprehensive risk management framework based on a three-line of defence model, which groups different roles and responsibilities that are coherently delimited:

- First line of defence: This function is carried out at the business and support levels, as risk takers. Its objective is the analysis and management of the risk they incur in the development of theirs activities and operations. The committees of the first line of defence are the Credit Committee and the Assets and Liabilities Committee (ALCO).
- Second line of defence: It is in charge of the identification, measurement, monitoring and reporting of the risks of the Bank as a whole. This line complements the former insofar as it supervises and controls risk-taking: it reviews the compliance with the policies and procedures for risk management of the Bank's operations and evaluates the models and methodologies used. This function is performed by Risk Management and Compliance departments. The Risk and Compliance Specialized Committees are in charge of communicating to Board members the status of current and future identified risks.
- Third line of defence: Internal Audit forms an independent control of the processes, which guarantees the proper functioning of the management and control function of the existing risk in the Bank.

The Risk Appetite Framework is consistent with the strategic and business plan, capital planning and liquidity. KRI and set of thresholds within each area of material risk identified have been defined and implemented. The Risk Appetite Statement, embedded part of the Risk Strategy, outlines all level and types of risk that the Bank is willing to assume within its risk capacity to achieve the strategic objectives defined in the business plan.

The responsibility of the Risk Management Department, under the supervision of the Chief Risk Officer, is to monitor the overall risk profile of the Bank and the respect of the Risk Appetite Statement defined by the BoD.

The Risk Management department is composed of two headcounts: one Chief Risk Officer and one Senior Risk Officer. The main responsible to follow the tracking and to report all type of risks is the Risk Management Function. They report to the Authorized Management and related business units, the Specialized Risk Committee and the Board of Directors. The reporting task is divided on different timeframes (daily, monthly and quarterly) depending on the information.

3 Own funds

The Banks' own funds consist of the Social Capital and the Reserve account. The Social Capital is formed by ordinary shares issued by the Headquarter entity, Andorra Banc Agricol Reig ("Andbank Andorra"). The reserved accounts are constituted by the yearly accumulated P&L results of the Bank. The intangible asset account is also deducted to come up with the ultimate own funds figure. The Bank's regulatory capital consists exclusively of Common Equity Tier 1 ("CET1") capital The Bank does not have issued additional Tier 1 capital or Tier 2 capital as defined in the CRR.

The capital structure of the Bank as of 31 December 2019 is as follows:

Common Equity Tier 1 (CET1) capital: instruments and reserves		Amount
1	Capital instruments and the related share premium accounts	
	of which: Instrument type 1	54 100 000
	of which: Instrument type 2	-
	of which: Instrument type 3	-
2	Retained earnings	- 12 668 667
3	Accumulated other comprehensive income (and other reserves)	-
3a	Funds for general banking risk	-
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-
5	Minority interests (amount allowed in consolidated CET1)	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**41 431 333**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-31 448
8	Intangible assets (net of related tax liability) (negative amount)	-304 484
9	Empty set in the EU	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-
11	Fair value reserves related to gains or losses on cash flow hedges	-
12	Negative amounts resulting from the calculation of expected loss amounts	-
13	Any increase in equity that results from securitised assets (negative amount)	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-
15	Defined-benefit pension fund assets (negative amount)	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-

17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities those entities have reciprocal cross holdings with the institution designed to inflate artificially own funds of the institution (negative amount)	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount 10% threshold and net of eligible short positions) (negative amount)	-
20	Empty set in the EU	-
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-
20b	of which: qualifying holdings outside the financial sector (negative amount)	-
20c	of which: securitisation positions (negative amount)	-
20d	of which: free deliveries (negative amount)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-
22	Amount exceeding the 15% threshold (negative amount)	-
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-
24	Empty set in the EU	-
25	of which: deferred tax assets arising from temporary differences	-
25a	Losses for the current financial year (negative amount)	-
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-
29	**Common Equity Tier 1 (CET1) capital**	**41 095 401**
Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	-
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	-
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-
Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative	-

	amount)	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
41	Empty set in the EU	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-
44	Additional Tier 1 (AT1) capital	-
45	Tier 1 capital (T1 = CET1 + AT1)	**41 095 401**
Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	-
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Credit risk adjustments	-
51	Tier 2 (T2) capital before regulatory adjustments	**41 095 401**
Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
56	Empty set in the EU	-
57	Total regulatory adjustments to Tier 2 (T2) capital	-
58	Tier 2 (T2) capital	-

59	Total capital (TC = T1 + T2)	**41 095 401**
60	Total risk weighted assets	**79 340 077**
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	51,80%
62	Tier 1 (as a percentage of total risk exposure amount)	51,80%
63	Total capital (as a percentage of total risk exposure amount)	51,80%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	13,50%
65	of which: capital conservation buffer requirement	2,50%
66	of which: countercyclical buffer requirement	-
67	of which: systemic risk buffer requirement	-
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	40,80%
69	[non relevant in EU regulation]	-
70	[non relevant in EU regulation]	-
71	[non relevant in EU regulation]	-
Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
74	Empty set in the EU	-
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-

81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Tableau 2: Own funds disclosure - Annex IV of Commission Implementing Regulation N°1423/2013

4 Capital Requirements

The core business activities developed by the Bank expose the entity to credit risk and operational risk, both have capital requirements and risk mitigation practices.

In order to calculate the regulatory capital requirements for credit risk associated to the credit portfolio activities, the Standardized Approach (SA) described in the CRR regulation is used.

Regarding the operational risk, a Basic Indicator Approach (BIA) based on a three year historical data model is applied to calculate the own funds requirements.

The breakdown of the own funds and the Pillar I Capital requirements are exposed hereafter:

In 000's EUR	31/12/2019
Prudential own funds	**41,095.4**
Tier 1 Capital	41,095.4
Total Risk Exposure Amounts	**79,340.0**
Pillar 1 Capital Requirements	**6,347.1**
of which Credit Risk	5,267.3
of which Market Risk	-
of which Operational Risk	1,079.8
Solvency Ratio (%)	51.80%

Tableau 3 : Capital requirements

As a result of the 2019 ICAAP, the Banks determined its additional Pillar II capital requirements as detailed below :

In 000's EUR	31/12/2019
Internal own funds	**38,775.4**
Tier 1 Capital	41,095.4
Profitability Risk	-2,320.0
Pilar 1 Capital Requirements	**6,347.1**
Pilar 2 Capital Add-ons	**4,995.0**
of which Credit Risk*	4,670.0
of which Residual Risk	325.0
Pilar 1 + Pilar 2 Capital requirements	**11,342.1**
ICAAP Ratio (%)	**27.35%**

Tableau 4 : Pillar II requirements

Residual risks refer to different types of risk that are not negligible but are difficult to quantify. Andbank considers risks linked to the Bank's business and strategic, reputation, and on external factors, such as the macroeconomic and regulatory environment, as residual risks.

Due to the difficulty to evaluate and assess the different risks proposed, the Bank decided to allocate under the ICAAP framework, as per a proposition of the Bank of Spain, 5% of the Pillar I capital requirements to cover possible loss events related to residual risks.

5 Credit Risk

Credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments. A default is considered to have occurred when either both or the following have taken place: a) the client is "*impaired*", meaning unlikely to pay its credit obligations to the Bank without recourse of the Bank to action such as realizing security b) the client is past due more than 90 days on any material obligation to the Bank.

The majority of the Bank's credit offer to Private Banking customers is mainly concentrated on clients holding assets at Andbank Luxembourg. The approach aims at standardizing the process by developing a credit risk policy detailing, in particular, the collateralization aspects with the application of appropriate haircuts to the assets market value according to its quality, liquidity, volatility and level of diversification.
Exceptionally, the Bank can grant credits for the non-private banking activities. In this case, the policy is based on a case-by-case analysis of the exposures and on the financial health of the counterparty. This analysis is focusing on the customer capacity to fulfil its financial obligations

5.1 Standardized approach

The standardized approach requires the banks to use, where possible, risk assessments prepared by ECAI or export credit agencies to determine the risk weightings applied to rated counterparties. The Bank uses the following ECAI: Moody's Inverstor Service, Standard & Poors and Fitch Ratings. They are used for exposures on the Bank securities, securities collaterals for client credits, credit institutions and central government and central banks

Breakdown of total exposures by risk weights:

In 000's EUR – 31/12/2019	Initial exposure	Exposure after CRM	RWA
0%	125,150.6	125,149.9	0
20%	25,010.9	25,008.2	5,001.6
75%	26,978.2	16,693.7	4,442.4
100%	128,149.1	61,334.1	46,849.4
150%	5,123.5	2,390.6	3,585.9
250%	2,308.4	2,308.4	5,771.1
TOTAL	**312,721**	**232,885**	**65,630**

Tableau 5 : Breakdown of total exposures by risk weights

The total amount of exposures broken down by different types of exposure classes was as follows:

In 000's EUR	Initial Exposure	Exposure after CRM	Exposure after CCF	RWA
Institutions	25,010.9	25,008.2	25,008.2	5,001.6
Central Governments or central banks	125,147.0	125,146.4	125,146.4	0
Corporate	119,916.1	53,101.1	38,616.5	38,616.5
Equity	2,308.4	2,308.4	2,308.4	5,771.1
Retail	26,978.2	16,693.6	5,896.5	4,422.4
Exposure in Default	5,123.7	2,390.6	2,390.6	3,585.9
Claim in the form of CIU	1.4	1.4	1.4	1.4
Other items	8,235.1	8,235.1	8,235.1	8,231.5
TOTAL	**312,721**	**232,885**	**207,603**	**65,63**

Tableau 6 : Detail of exposures to different classes

Geographic distribution of the exposures, broken down in significant areas by material exposure classes (without taking into account the value adjustments and provisions associated with the original exposure that amounts EUR 84K as of year end):

2019 On and off balance sheet exposures subject to credit per country ('000)	
United States	12,715.0
Andorra	26,111.9
Spain	42,205.0
Luxembourg	159,810.4
France	9,316.1
Italy	1.5
Belgium	1,922.0
United Kingdom	3,227.5
Germany	329.0
Panama	1,106.0
British Virgin Islands	3,157.5
Israel	887.0
Brazil	5,807.0
Portugal	9,908.8
Others	36,216.3
TOTAL	**312,721**

Tableau 7 : On and off balance sheet exposures subject to credit per country

Residual maturity breakdown of all the exposures, broken down by exposure classes

Maturity band	Loans and advances	Available for sale portfolio	Commitments and guarantees	OTC derivative instruments (nominal)
< 1 y	50,408,981		18,118,584	52,903,178
> 1y; <5y	38,481,488	23,317,088	7,703,258	-
> 5y; <10y	12,961,961	4,954,771	85,164	-
>10y	-		-	-
No maturity	-	1,436	-	-
TOTAL	**101,852,331**	**28,273,295**	**25,907,006**	**52,903,178**

Tableau 8 : Residual maturity breakdown by exposure classes

The idiosyncratic risk (the impacts of risks that are particular to each individual borrower) of the gross exposures above 10% of the Bank's prudential own funds are as follows:

In 000's EUR	Exposure as of 31/12/2019	Elegible CRM techniques	Exposure after application of CRM	Exposure in % of own funds
Counterparty 1	120,729	-	-	0.00%
Counterparty 2	32,839	(32,839)	-	0.00%
Counterparty 3	22,124	(22,124)	-	0.00%
Counterparty 4	10,200	(5000)	5,200	12.61%
Counterparty 5	8,000	-	1	0.00%
Counterparty 6	7,121	(877)	956	2.32%
Counterparty 7	5,179	-	5,179	12.56%
Counterparty 8	4,629	(615)	3,988	9.67%
Counterparty 9	4,607	-	4,607	11.17%
Counterparty 10	4,569	-	-	0.00%
Counterparty 11	4,223	(1,499)	2,724	6.61%

Tableau 9 : Large exposures

5.2 Credit risk limits

With respect to the quality of the loan portfolio, Andbank Luxembourg has established four limits in terms of delinquency and coverage:

- NPL Ratio shows the credit quality by means of the ratio between the amounts of doubtful loans on the total loans granted.

- Adjusted NPL Ratio shows the credit quality as the ratio of net doubtful loans to net total loans granted (net amounts are calculated by subtracting collateral from gross amount of loans).
- Adjusted Coverage Ratio is the percentage of the provisions amount by on the amount of doubtful credits given to clients.
- Net Non-performing loans on Equity is the percentage of the net doubtful loans on equity.

5.3 Credit risk Mitigation

As the credits are collateralized, the Bank monitors that the evolution of the eligible marketable securities, guarantees and other forms of collateral respect the limits established by the contracts signed by the customers. The main objective is to promote the early detection of any problem which might arise on the part of the borrowers and to focus attention on those credits which need to be more closely watched. The credit risk monitoring is organized in particular around the following controls:

- Daily examination of irregular exposures;
- Weekly review of irregularities expositions and/or watch list clients in credit committee.
- Monthly review of exposures for the provisioning process;
- Quarterly review, during the production of the solvency ratio and of the composition and quality of assets collateralized;
- Specialized Risk Management Committee is informed about the main irregularities on the credit activity, including accounts overdrafts.
- Annual review within the framework of the credit lines renewals.

The Bank has also implemented controls on its exposures concentration risks, whether direct or indirect:

- Effects of the diversification of the client's portfolio when computing the maximum Lombard value available for each credit line;
- Analysis of the concentration of indirect risks;
- Specific analyses of sectorial concentrations.

The Bank ensures to receive enough collateral, and ensures that assets are of good quality and broadly diversified in terms of nature, countries, industries and entities. Assets accepted by Andbank as collateral portfolio are:

- Stock-exchange listed company shares & ETF
- Mutual funds
- Sovereign and Corporate bonds
- Preferred shares
- Structured products, only those issued or commercialized by Andbank
- Cash

In 000's EUR	OECD	Market Value as of 31/12/2019	% of assets
Luxembourg	Y	89,798	48.25%
Ireland	Y	20,228	10.87%
United States	Y	16,546	8.89%
Brazil	N	15,253	8.20%
Spain	Y	9,828	5.28%
Netherlands	Y	6,661	3.58%
United Kingdom	Y	3,903	2.10%
Germany	Y	3,333	1.79%
Canada	Y	2,148	1.15%
France	Y	2,131	1.14%
Cayman Islands	N	1,909	1.03%
Mexico	Y	1,412	0.76%
Other Countries	n/a	12,948	6.96%

Tableau 10 : Collateral value breakdown per country

The concentration to Luxembourg is explained by the importance of funds and financial assets in the client's portfolios as shown in the sector breakdown below:

In 000's EUR	Market Value as of 31/12/2019	% of assets	Cumulated % of assets
Funds	97,209	52.24%	52.24%
Financial	33,040	17.75%	69.99%
Industrial	7,441	4.00%	73.99%
Consumer, Non-cyclical	12,297	6.61%	80.60%
Energy	6,261	3.36%	83.96%
Utilities	3,456	1.86%	85.82%
Consumer, Cyclical	6,513	3.50%	89.32%
Others	2,886	1.55%	90.87%
Government	2,583	1.39%	92.26%
Basic Materials	5,751	3.09%	95.35%
Communications	4,778	2.57%	97.91%
Technology	1,959	1.05%	98.97%
Diversified	1,923	1.03%	100%

Tableau 11 : Collateral value breakdown by sector

5.4 NPL and Specific and general credit risk adjustments

As of the end of 2019, the Bank had Non-Performing Loans for a total amount of 5,080,670 EUR. The main source came from three credit lines amounting to USD 4.6M and collateralised by USD 10M portfolio granted to two companies. Indeed, on 03 May 2019, the Cellule du Renseignement Financier ("CRF") issued a blocking order because of potential AML breaches – corruption case in Brazil. On 8 May 2019, the Credit Committee of the Bank decided not to renew the credit lines. On 16 July 2019, the Bank received notification of an "Ordonnance de Perquisition et de Saisie" and accounts of companies have been seized from this date. Request of Andbank for partial release of funds was not satisfied because of blocking order from the court following international cooperation from the Brazilian justice. The remaining Non-Performing exposure derived from small overdrafts of retail clients.

Asset Risk Classification	Credit Stage (IFRS 9)	Gross Carrying Amount	%
Performing	1	121,343,022	93,5%
	2	3,335,417	2,6%
Performing Total		124,678,440	96,1%
Non Performing	3	5,123,577	3,9%
Non Performing Total		5,123,577	3,9%
TOTAL	**101,852,331**	**129,802,017**	**100%**

Tableau 12 : Assets risk classification

Hereunder, the table discloses the geographical and counterparty type breakdown for exposure under Stage 3

Counterparty Type	Country		Total
	Spain	USA	
Households	1,011,375	69	1,011,445
Non-financial corporations	1,695,124	2,417,006	4,112,131
Total	2,706,500	2,417,076	5,123,577

Tableau 13 :Geographical and counterparty breakdown of Stage 3 exposures

The Bank is prudent in making impairment assessment to provide adequate provisions for possible or actual losses. The relatively low number of credit anomalies and the quality of collaterals are also reflected by the level of provisioning required as of end of December 2019.

In 000's EUR	31/12/2019
LuxGAAP Provision	**10**
IFRS 9 Provision	**97**

Tableau 14 : Provisions

An individual impairment model has been implemented to determine the Expected Credit Loss of the two companies holding three credit lines considered as NPL. It has been duly communicated to the local authority.

Movements in allowances and provisions for credit losses	Opening balance	Changes due to modifications without derecognition (net)	Closing balance
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	-55,288.12	859.95	-54,428.17
Debt securities	- 5,270.77	1,879.57	-3,391.20
Central banks	-	-	-
General governments	- 1,648.00	1,020.00	- 628.00
Credit institutions	- 3,308.77	859.57	-2,449.20
Other financial corporations	-	-	-
Non-financial corporations	-314.00	-	-314.00
Loans and advances	-50,017.35	- 1,019.62	-51,036.97
Central banks	-	-	-
General governments	- 4.87	4.87	-
Credit institutions	-	-	-
Other financial corporations	- 1,846.04	-142.78	- 1,988.82
Non-financial corporations	-14,035.29	7,341.27	- 6,694.02
Households	- 34,131.15	- 8,222.98	-42,354.13
of which: collectively measured allowances	-	-	-
of which: individually measured allowances	-55,288.12	859.95	-54,428.17
Allowances for debt instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	-37.29	- 53.07	- 90,.7
Loans and advances	-37.29	- 53.07	-90.37
Central banks	-	-	-
General governments	- 0.10	0.10	-
Credit institutions	-	-	-
Other financial corporations	-	- 0.07	- 0.07
Non-financial corporations	- 0.73	-13.31	- 14.04
Households	-36.46	- 39.80	-76.26
of which: collectively measured allowances			
of which: individually measured allowances	- 37.29	- 53.07	-90.37
of which: non-performing			
Allowances for credit-impaired debt instruments (Stage 3)	- 21,071.72	- 21,834.86	-42,906.58
Loans and advances	- 21,071.72	- 21,834.86	-42,906.58
Central banks	-	-	-
General governments	-334.89	334.89	-
Credit institutions	-	-	-
Other financial corporations	- 5,684.58	344.08	- 5,340.50
Non-financial corporations	- 3,471.50	2,095.63	-1,375.87
Households	-11,580.75	- 24,609.47	- 36,190.22
of which: collectively measured allowances	-	-	-
of which: individually measured allowances	- 21,071.72	-21,834.86	- 42,906.58
Total allowance for debt instruments	-76,397.14	- 21,027.98	- 97,425.12
Commitments and financial guarantees given (Stage 1)	7,646.76	74,450.64	82,097.40
Total provisions on commitments and financial guarantees given	7,646.76	74,450.64	82,097.40

Tableau 15 : Movement in allowance and provisions for credit losses

5.5 Exposures in equities not included in the trading book

At 31 December 2019, the Bank held shares in three affiliated undertakings for strategic reasons:

Andbank Asset Management Luxembourg S.A. hereafter "AAML" (owned 100%) is a collective investment undertaking Management Company with registered office in Luxembourg, founded by the Andbank Group in 2009 as part of its internationalization process and supervised by the Commission de Surveillance du Secteur Financier. The company is fully owned by the Bank. On 20 April 2012, the Institut Nacional Andorrà de Finances (INAF) approved to increase the share capital of the company by an amount of EUR 1,000,000.00 resulting in total share capital of EUR 3,000,000.00. The total acquisition cost amounts to EUR 2,263,059.18

Andbank RE General Partner SARL (owned 100%) is an entity with registered office in Luxembourg. On 19 February 2018, Andbank Luxembourg bought 12,000 shares with a nominal value of EUR 1.00 each. The total acquisition cost amounts to EUR 12,000.00.

Andbank RE Investment Fund SCA SICAV-SIF (owned 100%) is an entity with registered office in Luxembourg. On 12 April 2018, Andbank Luxembourg bought 29 shares with a nominal value of EUR 1,000 each. The total acquisition cost amounts to EUR 29,000.

Company	Country	Activity	Acquisition cost	% Direct ownership	Fair value	Result of the year
AAML	LUX	Management Company	2,263	100%	3,747	436
Andbank RE General Partner SARL	LUX	Management Company	12	100%	*	*
Andbank RE Investment Fund SCA SICAV-SIF	LUX	Investment fund	29	100%	*	*

Tableau 16 : Exposures in equities non included in the trading book

*At the date of issuance of Andbank Luxembourg S.A.'s annual accounts, the results of the year of Andbank RE General Partners SARL and Andbank RE Investment Fund SCA SICAV-SIF have not yet been audited.

5.6 Counterparty Credit Risk

Regarding counterparty credit risk, the Bank does not have any netting agreement. The counterparty credit risk of the Bank is focused on FX contracts of the clients that are exclusively closed with the Parent Company. The total mark-to market of these contracts was EUR 21,611 as of 31 of December 2019, and the exposure value was EUR 2,090,598 as per the mark-to-market method.

6 Operational Risk

According to the Basel Committee, the operational risk encompasses different types of events: internal and external fraud, labour relations, practices with customers, products and businesses, damages to material assets, system failures and execution failures.

The operational risk management of the Bank is framed by an internal policy supplemented by procedures dedicated to the realization of controls and on the collection of incidents.

The responsibility for the mitigation of these risks is the responsibility of all individuals within the business lines and support functions, which must promote an operational risk culture within their teams, the management control mechanisms is also based on processes supervised by the Bank's control function.

For the calculation of regulatory requirements for Operational risk, the Bank has adopted the Basic Indicator Approach. In addition, Andbank Luxembourg forecast the maximum amount of operational losses that might happen by stressing historical data considering three different scenarios. This information is used to calculate expected and unexpected losses and thus allocates additional capital amount to cover operational risk.

The mitigations factors set in place by the Bank are the following:

- Training to improve the awareness of the staff
- Periodic review of the Risk and Control Self-Assessment ("RCSA")
- Business Continuity Plan ("BCP") and Disaster Recovery Plan ("DRP")
- Internal data-gathering related to operational risks. Incident reports are formalized by the business lines and support functions to ensure an exhaustive declaration of all profits or losses arising from an operational risk event. These reports contain all the necessary information to their analysis and follow-up and are sent for approval to the Risk Management department and to the Authorized Management (The latter only for losses >1000 EUR).
- One Key Risk Indicator also Recovery Indicator computing the total loss on the ordinary margin. The indicator was within the Appetite Zone (< 1.5%) during the year.

During 2019, there were 74 operational risk events among which 15 resulted in a financial loss for the Bank (total loss of EUR 108K).

7 Market Risk

The market risk is the risk of losses in positions on the trading or banking book arising from movements in the market price.
Market risk is managed in accordance with the Market Risk Policy which defines the fundamental principles, framework and governance for the management of market risk.
Market risk is subject to the limits established by the Board of Directors. In this sense, a series of different restraints are established for both: Banking and Trading book. At the time this report is written, the Bank does not hold a trading portfolio. Although there is currently no trading book, the Bank has a set of policies and procedures that aim at strictly circumscribe the level of risk taken low limits of intervention and robust monitoring of positions. These would be immediately applicable in case of creating a trading book.
The Bank does not have capital requirements as defined in accordance with Part Three, Title IV, Chapters 2 to 4 of the CRR.

Market risks limits

Related with the investment banking activity and with the Assets and Liabilities Committee (ALCO), the Bank limits the interest rate sensitivity of the trading portfolio at EUR 5.000 Value of Basis Point (VBP). Also, non-related to trading activity, the Bank also limits the interest rate risk emerging from the Available For Sale (AFS) portfolio to EUR 50,000 VBP and for Hold To Maturity portfolio to EUR 40,000 VBP.

In addition, the positions that can be held in the Bank's trading portfolio have qualitative limits set:

- A Global limit on term of sensitivity has been set up at 5.000 EUR value of basis point.

More restrictive conditions in term of Forex have been applied to avoid excessive exposure of the Bank to a specific group of currency on a daily and weekly basis:

- A limit for exposures on liquid currencies of EUR 100K, defined as: USD, JPY, GBP, CHF, DKK, NOK, SEK, CAD, AUD, NZD , SGD, HKD.
- The exposure limit for less liquid currencies is set to EUR 50,000.

The exposure limit BRL is set to EUR 50,000

As for the Banking Book, the following limits are collected:

- Sensitivity of the Financial Margin to changes in market interest rates. Calculated on the annual budget, it is established both short term and long term.

In Million EUR	31/12/2019
Up 200bp	2.23
Down 200bp	-3.61

Tableau 17 : IRRBB stress testing outcomes Financial Margin

- Economic Value Sensitivity is the limit of sensitivity to a parallel movement of +/- 200 bps of the interest rate curve on own funds (according to the IRRBB regulation).

In Million EUR	31/12/2019
Up 200bp	-1.37
Down 200bp	1.32

Tableau 18 : IRRBB stress testing outcomes EVE

Additionally, a limit is established on the position in foreign currency:

- Position in open foreign currency, includes all risks in foreign currency, with limits defined as a percentage of own funds.

Market risk monitoring

The market risk monitoring is done through a daily examination in nominal and duration of detention of the Bank's trading exposures by the Risk Management department which ensures the coherence between the limits approved and the operational thresholds used by the front office.

8 Liquidity Risk

The liquidity risk plays a key role on the Bank's Risk Management framework. Liquidity and funding are critical, for this reason they are continuously managed to ensure they can be adjusted to sudden changes in market conditions or the operating environment, whether widespread or relatively small.
Regarding funding, the Bank benefits from the support of its Parent Company and has established Global Master Repurchase Agreements with several counterparties allowing it to perform repurchase operations in case of need.
The Bank maintains daily deposits at the BCL. Consequently, the "Daily Liquidity Reporting" is sent to BCL in order to allow the market authority to follow the Bank situation. Internally, the Bank is performing a weekly monitoring of Liquidity Coverage Ratio ("LCR") and loan-to deposits ratio ("LtD") to ensure the liquidity situation is sufficient to handle with not only the business requirement but also the unforeseen situations in the market.

As of 31 December 2019, the LCR was of 190.44% well above the appetite limit set at 120%

In 000's EUR	31/12/2019
Liquidity Buffer	121,707
Net Outflow	63,907
LCR (%)	**190,44%**

Tableau 19 : Main components of the LCR

On a quarterly basis the Bank performs liquidity stress testing tests to assess the potential impact of extreme stress scenarios on its liquidity positions and current mitigation techniques taking into account both market liquidity (external factors) and funding liquidity (internal factors).

9 Other risks

9.1 Compliance Risk

Compliance risk is defined as the risk of regulatory scrutiny and/or sanctions or loss to reputation which may result in material financial loss for the Bank, as a result of its failure to comply with laws, regulations, its own code of conduct and standard of best practices.

Andbank is scrutinized by a strong regulatory regime in the Luxemburgish financial sector. The Bank constantly must adhere to new regulations and European directives. It requires a strong organization that is able to adapt and implement new regulatory requirements in a timely manner.

Although there aren't specific qualitative metrics that measures compliance risk, the Bank has put in place an organizational department that manages the policies and procedures necessary to meet all the regulatory requirements. In addition, a new regulatory committee is being created aiming to enforce and put in place the upcoming regulatory Banking requirements.

The Bank will apply the maximum diligence and the appropriate means to minimize the risk of normative noncompliance. In this sense, the necessary control mechanisms will be established to avoid regulatory non-compliance.

<u>Mitigation techniques of the Compliance Risk</u>

The Bank respects all laws and regulations in force by having developed a set of policies and procedures that includes supervision controls. By implementing those, the employees shall respect the regulatory framework of Andbank Luxembourg.

In the area of AML/CTF, key aspects are:

- A regulatory watch on AML/CTF issues is in place (strengthened rules on country restrictions);
- All high risk account openings are examined and validated by the Compliance department, completed by a formalized revision process updating the KYC elements on the existing client base.
- The implementation of a customer risk classification based on risk factors for the Private Bank and the Depositary Bank activities;
- The ongoing customer and transaction monitoring, including the clients' name screening against official list;
- The control of the status of the various breaches detected and the monitoring of the corrective actions defined to mitigate the gaps identified;
- Staff training and awareness (cf. paragraph on trainings).

In the area of market integrity, professional and personal ethics:

- The Bank has a MiFID control framework where a new MIFID II framework has been implemented.

- The Bank has reviewed and updated its inducements and conflict of interest policies. In particular, procedures have been implemented to effectively manage conflicts of interests, to declare gifts and incentives, to guarantee the best conditions for the execution and safeguarding of assets, and to establish controls against market manipulation.

Regarding the internal code of ethics, the right of alert is granted to every employee ("whistleblowing"). This right is defined in the internal code of conduct which is handed to every employee at the inception of his/her employment contact.

In addition, the Compliance department prepares a summary annual report to the attention of the Board of Directors and Specialized Compliance Committee on the compliance situation of the Bank, according to Circular 12/552 requirements. The document is approved by the Board of Directors and sent to the CSSF. In addition, the internal audit department is performing annual reviews on the MiFID and AML/CTF controls and triannual reviews on the compliance function. The main objective of those reviews is to detect any deficiencies and ensuring they are remediated, by performing a follow-up of the issues detected and their remediation processes.

9.2 Legal Risk

Legal risk can be defined as the risk of loss or imposition of penalties, damage or fines from the failure of the Bank to meet its legal obligations including regulatory or contractual requirements.

The legal department identifies the legal risks linked to all the activities of the Bank (whether in current or future activities). The legal department is in particular responsible to ensure that:

- All contracts are correctly written and updated;
- The Bank's procedures identify the main activities that might be subject to a legal risk.
- A legal watch is communicated to all employees;

When particular care is required (e.g. where the law of another jurisdiction may be relevant and where complex contractual relationships are intended) an external legal advisor may be consulted.

10 Leverage ratio

The risk of excessive leverage is defined as the risk resulting from vulnerability due to financial leverage or conditional leverage that may require unintended corrective actions of business plans, including emergency sale of assets which could result in losses or result in the need for valuation adjustments of other assets. The risk of excessive leverage materializes as a mismatch of scale of activities and structure of the sources of financing and insufficient equipment of Group's own funds.

The objective of managing the risk of excessive leverage is therefore ensuring a sound relationship between the size of the core capital (Tier 1) and the sum of the balance sheet assets and off-balance sheet liabilities granted by the Bank and the Group.

For the purpose of measuring the risk of excessive leverage, bank leverage ratio is calculated in accordance with Article 429 of CRR Ordinance ie. as a measure of Tier 1 capital divided by the measure of total exposure and is expressed as a percentage rate.

In order to manage the excessive leverage, the Bank has some mitigation measures as the ALCO where all the securities of the Bank's portfolio have to be approved (including the bonds, which are the main target strategy). In addition, the risk management department is informed by the treasury department before executing some significant transactions, in order to evaluate the potential impact. Conservatively, the Banks set up its risk appetite limit at 6% well above the regulatory limit (3%).

As of end of December 2019, the leverage ratio was of 13.14%.

On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	284,535,358
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**284,535,358**
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	1,561,567
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	531,015
11	**Total derivative exposures (sum of lines 4 to 10)**	**2,092,582**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	27,172,730
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**27,172,730**
Capital and total exposures		
20	**Tier 1 capital**	**41,243,095**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**313,800,670**
Leverage ratio		
22	**Leverage ratio**	**13,14%**

Tableau 20 : Leverage ratio - Annex I of Commission Implementing Regulation N°2016/200

The leverage ratio has fluctuated from 10,52% in March 2019 until 13,14% in December 2019.

	March	June	September	December
Total Exposure	384,584,157	368,402,237	435,104,214	313,800,669
Tier 1 Capital	40,468,915	41,392,803	40,854,944	41,243,095
Leverage ratio	10,52%	11,24%	9,39%	13,14%

Tableau 21 : Leverage ratio movements during the period

The total exposure volatility was mainly driven by the deposit done by the Parent Company in line with the liquidity management at Group level. The deposit is automatically deposited at the BCL making the exposure to “Central Governments and Central banks” varied accordingly.

11 Unencumbered assets

An asset shall be treated as being encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn.

Asset encumbrance is driven by some repurchase agreements entered into with the Parent Company. There is no collateral received to be reported as encumbered (Template B – Collateral Received from the Commission Delegated Regulation 2017/2295 is consequently not disclosed).

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**		
050	Repurchase agreements		7 307 551
160	Other		302 652
170	Total Sources of Encumbrance		**7 610 203**

Tableau 22 : Source of encumbrance – Annex I – Template C of Commission Delegated Regulation 2017/2295

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	7 610 203	7 307 551			278 694 897	143 323 119		
020	Loans on demand	-	-			143 323 119	143 323 119		
030	Equity instruments	-	-			1 436	-		
040	Debt securities	7 307 551	7 307 551	7 270 000	7 270 000	20 484 254	-	7 140 709	-
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: asset-backed securities	-	-	-	-	-	-	-	-
070	of which: issued by general governments	-	-	-	-	4 417 358	-	4 569 773	-
080	of which: issued by financial corporations	7 307 551	7 307 551	7 270 000	7 270 000	13 389 909	-	1 436	-
090	of which: issued by non-financial corporations	-	-	-	-	2 676 987	-	2 569 500	-
120	Other assets	302 652	-	-	-	13 127 791	-	-	-

Tableau 23 : Encumbered and unencumbered assets – Annex I – Template A of Commission Delegated Regulation 2017/2295

12 Capital buffers

The Bank has been required by the CSSF to maintain, on an individual level, own funds in excess of the capital requirement set out in article 92(1) of Regulation (EU) No 575/2013 ("CRR"). The additional own funds is set at 3% if the Total Risk Exposure Amount.

12.1 Capital Conservation Buffer

The Capital Conservation Buffer ("CCB") is a CRD IV buffer requirement, met by CET1 capital, which can be used to absorb losses during periods of stress. The Bank's current CCB rate is 2.50%.

12.2 Countercyclical buffer

The Countercyclical Buffer ("CCyB") is a CRD IV buffer requirement, met by CET1 capital, equal to the relevant capital requirements multiplied by the weighted average of countercyclical rates applicable in countries in which the exposures are located. The Bank's specific CCyB as of end of December 2019 is illustrated in the table here below.

Total risk exposure amount in EUR	79 340 077
Institution specific countercyclical buffer rate	0,0583%
Institution specific countercyclical buffer requirement in EUR	46 240

Tableau 24 : Amount of institution-specific countercyclical capital buffer – Annex I Table 2 of the Commission Delegated Regulation 2015/1555

The next table below discloses the geographical distribution of credit exposures relevant for the calculation of the Bank's specific countercyclical buffer rate.

Country	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	**Exposure value IRB**	**Sum of long and short position of trading book**	**Value of trading book exposure for internal models**	**Exposure value for SA**	**Exposure value for IRB**	**Of which: General credit exposures**	**Of which: Trading book exposures**	**Of which: Securitisation exposures**	**Total**		
AD	26 111 890	-	-	-	-	-	94 929,34	-	-	94 929,34	1,96%	0,00%
AE	250 007	-	-	-	-	-	1 489,79	-	-	1 489,79	0,03%	0,00%
AO	311 890	-	-	-	-	-	-	-	-	-	0,00%	0,00%
BE	1 922 000	-	-	-	-	-	71 581,46	-	-	71 581,46	1,48%	0,00%
BM	11	-	-	-	-	-	-	-	-	-	0,00%	0,00%
BR	5 806 973	-	-	-	-	-	133 443,17	-	-	133 443,17	2,75%	0,00%
CA	34	-	-	-	-	-	-	-	-	-	0,00%	0,00%
CH	22 118 663	-	-	-	-	-	-	-	-	-	0,00%	0,00%
CO	991 965	-	-	-	-	-	46 436,97	-	-	46 436,97	0,96%	0,00%
DZ	39	-	-	-	-	-	-	-	-	-	0,00%	0,00%
ES	37 573 911	-	-	-	-	-	894 874,18	-	-	894 874,18	18,45%	0,00%
FR	1 555 076	-	-	-	-	-	98 650,85	-	-	98 650,85	2,03%	0,25%
GB	3 227 518	-	-	-	-	-	258 017,37	-	-	258 017,37	5,32%	1,00%
GI	13	-	-	-	-	-	-	-	-	-	0,00%	0,00%
IL	887 034	-	-	-	-	-	20 802,58	-	-	20 802,58	0,43%	0,00%
IT	1 515	-	-	-	-	-	-	-	-	-	0,00%	0,00%
LU	33 840 779	-	-	-	-	-	2 045 800,78	-	-	2 045 800,78	42,18%	0,00%
MT	5 858	-	-	-	-	-	-	-	-	-	0,00%	0,00%
MX	620 000	-	-	-	-	-	-	-	-	-	0,00%	0,00%
NL	4 004 574	-	-	-	-	-	318 344,79	-	-	318 344,79	6,56%	0,00%
PA	1 106 040	-	-	-	-	-	13 355,86	-	-	13 355,86	0,28%	0,00%
PL	4 112 244	-	-	-	-	-	328 704,43	-	-	328 704,43	6,78%	0,00%
PT	9 908 821	-	-	-	-	-	165 578,65	-	-	165 578,65	3,41%	0,00%
RU	77	-	-	-	-	-	5,00	-	-	5,00	0,00%	0,00%
US	4 109 874	-	-	-	-	-	286 184,87	-	-	286 184,87	5,90%	0,00%
UY	938 724	-	-	-	-	-	-	-	-	-	0,00%	0,00%
VG	3 157 488	-	-	-	-	-	72 117,75	-	-	72 117,75	1,49%	0,00%
TOTAL	**162 563 014**	**-**	**-**	**-**	**-**	**-**	**4 850 317,5**	**-**	**-**	**4 850 317,5**	**100%**	**0,00%**

Tableau 25 : Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer – Annex I Table 1 of the Commission Delegated Regulation 2015/1555

13 Remuneration

The Bank's compensation model will foster corporate risk culture, promoting risk-taking practices consistent with the desired performance of the business areas and defined risk appetite.

The Remuneration Policy contains the following points to effectively integrate the values of the corporate risk culture:

- The policy will define a fixed remuneration as well as annual and multi-year plans of variable remuneration.
- The remuneration will not depend exclusively on the achievement of financial objectives, it also takes into account the risks taken to reach those objectives, both in the area of risk and in business:
- In the business area, the remunerations will consider business and risk objectives.
- In the area of risks, remuneration will focus on those objectives relevant to the performance of its function and will not include business objectives that may compromise its independence.
- In the rest of the central service areas (except for Internal Audit), the remuneration will be set based on the operating margin and the particular criteria of each area, valuing the inclusion of criteria based on the metrics and qualitative indicators of appetite to the risk that is relevant.

Remuneration policy

The Risk Management department assists in and informs on the definition of suitable risk-adjusted performance measures, as well as in assessing how the variable remuneration structure affects the risk profile and culture of the institution. It will also validate and assess risk adjustment data, and will review the policy of the Bank in order to assure the alignment with the risk management strategy and framework.

The disclosures in relation to the article 450 of CRR are available in the Bank's website: https://www.andbank.com/luxembourg/cadre-reglementaire-la-banque/.

14 Appendix

14.1 BoD skills and expertise

Mr Alberto Garfunkel
Appointed in: 2019
Expires in: 2020

Mr Garfunkel holds a BA in Economics and Business Administration, from the University of Ben Gurion. Mr Garfunkel holds 42 years of experience within the financial sector. He began his career in the Israeli Bank Hapoalim in 1977, where he worked for 32 years, performing different functions. He worked until 1993 for the Beer Sheba Branch, where he finished Manager. Then, he has been relocated in New-York until 1999 and became in charge of the Western Hemisphere as Regional Manager. He returned in Israel until 2001 as Regional Manager for Hanegev District. From 2001 to 2006, he worked as CEO of the Bank in Zurich. The 3 following years, he came back in Israel as member of the BoD and Head of International Activities. He finally left the Group for Lombard Odier Darier Hentsch & Cie, as Senior Advisor. In 2010, he became member of the BoD of Union Bank Israel, and in parallel, became Senior Advisor for Andorra Banc Agricol Reig S.A. in 2012 and BoD member for Sigma Investment House in 2014.
He is Chairman of the Board of Directors of Andbank Luxembourg.

Mr Alfonso Amaro Perez
Appointed in: 2018
Expires in: 2020

Mr. Amaro holds a Bachelor in Business Administration from the Universidad Nacional de Educación a Distancia and a Management Development Program “PDD” from the IESE Universidad de Navarra.
Mr Amaro holds almost 15 years of experience within the financial sector. His professional background includes 6 years working for Banco Banif, always in the operations area, where he reached the level of Deputy Director of Operations of Branch Network. Since 2011 he works for Andbank España, S.A. as Director of Support Area, where he leads an area of 70 employees, and since May 2018 he works for Andbank Luxembourg acting as General Manager in a first time, and now as Managing Director in charge of the areas of Operations, Treasury, and IT & Organisation. Mr. Amaro maintains his role in Andbank España, S.A. (25%).

Mr Ricard Rodriguez Fernandez
Appointed in: 2015
Expires in: 2021

Mr Rodriguez holds a Master Degree in Economics from the Open University of Catalunya (Spain) and a Bachelor degree in Business Administration by the Autonomous University of Barcelona (Spain). Mr Rodriguez is Certified Anti Money Laundering Specialist (ACAMS).
Mr Rodriguez holds 21 years of experience within the financial sector, in audit and compliance areas. Before became Managing Director of Andbank Luxembourg in 2019, he was Director of Corporate Intelligence and International Governance of the Andbank's Group. As Managing Director of Andbank Luxembourg, Mr Rodriguez is responsible for the following departments: HR, Legal, Compliance, Risk Management, Credit, Internal Audit and Finance. He is also Board member of Andbank Asset Management Luxembourg since 2019.

Mr Carlos Aso Miranda
Appointed in: 2019
Expires in: 2020

Mr Aso holds a Computer Engineering degree from Universitat Politècnica de Catalunya (Spain).
Mr Aso holds 20 years of experience within the financial sector. Since 2015, he is the CEO of Andbank España. He also worked during six years for Andbank in its headquarters where he reached the position of Deputy General Manager for the Private Banking, Business Development and Marketing areas. He also worked for Boston Consulting Group and Deloitte in Spain during 9 years, working in consulting for the financial sector.
Mr Aso is part of the Specialized Committees of the BoD and chairman of the Nomination and Remuneration Committee.

Mr José Luis Muñoz
Appointed in: 2009
Expires in: 2020

Mr Muñoz holds a Degree in Business Administration from the ESADE (Barcelona), and a Master in Management and Business Administration from the ESADE (Barcelona).
Mr Muñoz holds 30 years of experience in the banking sector, including 22 years of career in Andorra Banc Agricol Reig S.A..
Mr Muñoz is part of the Specialized Committees of the BoD and chairman of the Audit and Compliance Committees.

Josep Xavier Casanovas Arasa
Appointed in: 2013
Expires in: 2020

Mr Casanovas holds an Executive Master in Business Administration from ESADE (Barcelona), a CEFA ("Certificate of European Financial Analyst") from the Instituto de Estudios Financieros, a Master in Business Administration from La Salle – Manhattan College (Barcelona & New-York), a Master specialization in Spanish taxes from the Colegio de Economistas de Cataluña, and a Degree in Economics, specializing in Business Administration and Management from the Universidad Autónoma de Barcelona.
Mr Casanovas has 30 years of experience in the banking sector and 22 years of seniority whithin Andbank's Group. He has been Managing Director of Andbank Luxembourg from 2013 to 2016, in charge of several areas such as Legal, Finance, HR, Credit, Internal Audit, Risk Management and Compliance. He is currently Deputy CEO in Andbank Andorra. In addition, Mr Casanovas is BoD member in 3 banking licenses of Andbank's Group under ECB supervision (Andbank España/Andbank Monaco/Andbank Luxembourg). Mr Casanovas is part of the Specialized Committees of the BoD and chairman of the Risk Committee.

Mrs Anna Olsina Costa
Appointed in: 2019
Expires in: 2020

Mrs Olsina holds a Degree in Business Administration and Management by the Autonomous University of Barcelona (Spain), an Executive MBA from the ESADE Business School of Barcelona (Spain), an Executive MPA from the ESADE Business School of Barcelona (Spain), and did a Management Development Programme in the ESADE Business School of Barcelona (Spain). She is also Certified International Investment Analyst (CEFA-CIIA).
Mrs Olsina holds 28 years of experience within the financial sector. Her professional background includes 19 years working for Caixa Catalunya where she performed different functions until she reached the position of Regional Director. From 2010 to 2011, she worked for Oliver Camps – EFIAL Consultoria SL, as General Manager. Then, she joined again the banking sector as Director in Banca March, from 2011 to 2018. She finally joined Andorra Banc Agricol Reig S.A. as Managing Director in September 2018.
Mrs Olsina is part of the Specialized Committees of the BoD

14.2 Disclosure index providing information on where information required by the different articles in Part Eight of the CRR can be found.

Article	Description	Reference to the report
435	**Risk management objectives and policies**	
435 (1) (a)	Strategies and processes to manage risks	2.3; 5; 5.2; 5.3; 6; 7; 8; 9
435 (1) (b)	Risk management structure and organization	2.2; 2.3
435 (1) (c)	Scope and nature of risk reporting and measurement systems	5.1; 5.2; 5.3, 6; 7; 8; 9
435 (1) (d)	Policies for hedging and mitigating risk	5.1; 5.2; 5.3, 6; 7; 8; 9
435 (1) (e)	Declaration of the management body on the adequacy of risk management arrangements	1
435 (1) (f)	Concise risk statement approved by the management body	1
435 (2) (a)	Number of directorships held by members of the management body	2.2.1.1
435 (2) (b)	Recruitment policy for the selection of members of the management body	2.2.1
435 (2) (c)	Policy on diversity with regard to selection of members of the management body	Not available
435 (2) (d)	Separate risk committee and number of times it has met	2.2.2
435 (2) (e)	Description of the information flow on risk to the management body	2.3
436	**Scope of application**	
436 (a)	Name of the institution	1
436 (b)	Difference in the basis of consolidation for accounting and prudential purposes	2.1
436 (c)	Impediments to fund transfers	Not applicable
436 (d)	Potential capital shortfalls in unconsolidated subsidiaries	Not applicable
436 (e)	Derogation to the application of prudential requirements	Not applicable
437	**Own funds**	
437 (1) (a)	Full reconciliation of own funds and the balance sheet in the audited financial statements	3
437 (1) (b)	Description of the main features of own funds instruments	3
437 (1) (c)	Full terms and conditions of own funds instruments	3
437 (1) (d)	Disclosure of the nature and amounts of items deducted from own funds	3
437 (1) (e)	Description of all restrictions applied to the calculation of own funds	3
437 (1) (f)	Comprehensive explanation of the basis on which own funds are determined (if different from CRR treatment)	Not applicable
438	**Capital requirements**	
438 (a)	Summary of the approach to assessing the adequacy of internal capital to support current and future activities	4
438 (b)	Result of the ICAAP (upon demand from the relevant competent authority)	4
438 (c)	Capital requirements for credit risk for each exposure class of Article 112	5.1
438 (d)	Capital requirements for credit risk for each exposure class	Not applicable

	of Article 147	
438 (e)	Capital requirements for position risk, large exposures,foreign-exchange risk, settlement risk and commodities risk	Not applicable
438 (f)	Capital requirements for operational risk	4
439	**Exposure to counterparty credit risk**	
439 (a)	Methodology used to assign internal capital and credit limits for counterparty credit exposures	5.1
439 (b)	Policies for securing collateral and establishing credit reserves	Not applicable
439 (c)	Policies with respect to wrong-way risk exposures	Not applicable
439 (d)	Impact of the amount of collateral to provide in case of a credit rating downgrade	Not applicable
439 (e)	Gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposures	5.6
439 (f)	Measures for exposure value	5.6
439 (g)	Notional value of credit derivative hedge and distribution of current credit exposure by types of credit exposure	Not applicable
439 (h)	Notional amounts of credit derivative transactions	Not applicable
439 (i)	Estimate of alpha	Not applicable
440	**Capital buffers**	
440 (1) (a)	Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer	12.2
440 (1) (b)	Amount of the specific countercyclical capital buffer	12.2
441	**Indicators of global systemic importance**	
442	**Credit risk adjustments**	
442 (a)	Definitions of 'past due' and 'impaired'	5
442 (b)	Description of the approaches and methods for determining specific and general credit risk adjustments	5.4
442 (c)	Total and average amounts of exposures by exposure class	5.1
442 (d)	Geographical distribution of exposures	5.1
442 (e)	Distribution of exposures by industry or counterparty type	Not available
442 (f)	Residual maturity breakdown of exposures by exposure class	5.1
442 (g)	Distribution of impaired and past due exposures and credit risk adjustments by industry or counterparty type	5.4
442 (h)	Geographical breakdown of impaired and past due exposures and credit risk adjustments	5.4
442 (i)	Reconciliation of changes in credit risk adjustments for impaired exposures	5.4
443	**Unencumbered assets**	11
444	**Use of ECAIs**	5.1
444 (a)	Names of nominated ECAIs	5.1
444 (b)	Exposure classes for which ECAIs are used	5.1
444 (c)	Description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book	Not applicable
444 (d)	Mapping between external ratings and credit quality steps	Not applicable
444 (e)	Exposure values associated with each credit quality step	Not applicable
445	**Exposure to market risk**	

445	Capital requirements for position risk, large exposures, foreign-exchange risk, settlement risk and commodities risk	Not applicable
446	**Operational risk**	
446	Description of the methodology used for operational risk	6
447	**Exposures in equities not included in the trading book**	
447 (a)	Differentiation between equity exposures based on their objectives	5.5
447 (b)	Equity exposures balance sheet value and fair value	5.5
447 (c)	Breakdown of equity exposures by type and nature	5.5
447 (d)	Cumulative realised gains or losses arising from sales and liquidation of equity exposures	Not applicable
447 (e)	Total unrealised gains or losses and latent reevaluation gains or losses of equity exposures	Not applicable
448	**Exposure to interest rate risk on positions not included in the trading book**	
448 (a)	IRBB key assumptions and frequency of measurement	7
448 (b)	IRRBB variation in earnings and economic value, broken down by currency	7
449	**Securitisation activity**	
450	**Remuneration policy**	
450 (1) (a)	Decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;.	13
450 (1) (b)	Information on link between pay and performance	13
450 (1) (c)	Most important design characteristics of the remuneration system, criteria used for performance measurement, deferral policy	13
450 (1) (d)	Ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU	13
450 (1) (e)	Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based	13
450 (1) (f)	Main parameters and rationale for any variable component scheme and any other non-cash benefits	13
450 (1) (g)	Aggregate quantitative information on remuneration, broken down by business area	13
450 (1) (h)	Aggregate quantitative information on remuneration, broken down by senior management and members of staff with material impact	13
450 (1) (h) (i)	Amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries	13
450 (1) (h) (ii)	Amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types	13
450 (1) (h) (iii)	Amounts of outstanding deferred remuneration, split into vested and unvested portions	13
450 (1) (h)	Amounts of deferred remuneration awarded during the	13

(iv)	financial year, paid out and reduced through performance adjustments	
450 (1) (h) (v)	New sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments	13
450 (1) (h) (vi)	Amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person	13
450 (1) (i)	Number of individuals being remunerated EUR 1 million or more per financial year	13
450 (1) (j)	Total remuneration for each member of the management body or senior management (upon demand)	13
451	**Leverage ratio**	
451 (1) (a)	Leverage ratio per article 499(2) and (3)	10
451 (1) (b)	Breakdown of total exposure measure and reconciliation with financial statements	10
451 (1) (c)	Amount of derecognised fiduciary items	Not applicable
451 (1) (d)	Description of the process used to manage the risk of excessive leverage	10
451 (1) (e)	Description of the factors that had an impact on the leverage ratio during the period covered by the report	10
452	**Use of the IRB Approach to credit risk**	
453	**Use of credit risk mitigation techniques**	
453 (a)	Policies and processes for on- and off-balance sheet netting	5; 5.3
453 (b)	Policies and processes for collateral valuation and management	5.3
453 (c)	Description of the main types of collateral taken by the institution	5.3
453 (d)	Main types of guarantor and credit derivative counterparty and creditworthiness	5.3
453 (e)	Market and credit risk concentrations within the credit mitigation taken	5.3
453 (f)	Exposure value covered by eligible collateral by exposure class	5.3
453 (g)	Exposure value covered by guarantees and credit derivatives by exposure class	5.3
454	**Use of the Advanced Measurement Approaches to operational risk**	Not applicable
455	**Use of Internal Market Risk Models**	Not applicable