Andorra Banc Agrícol Reig, SA and Subsidiaries

Consolidated annual accounts for the year ended 31 December 2020 with the Independent Audit Report

Deloitte.

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Andorra Banc Agrícol Reig, SA,

Opinion

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

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

Basis for Opinion

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

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

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

Other questions

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

DELOITTE ANDORRA AUDITORS I ASSESSORS, S.L.

Álvaro Quintana
30 March 2021

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

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

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

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

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

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

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

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

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

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

We also provide the Audit Committee of the Parent with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

ANDORRA BANC AGRÍCOL REIG, SA AND SUBSIDIARIES

Consolidated annual accounts for
the year ended 31 December 2020

(Free translation from the original in Catalan. In the event of discrepancy, the Catalan-language version prevails.)

ANDORRA BANC AGRÍCOL REIG, SA AND SUBSIDIARIES

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(Free translation from the original in Catalan. In the event of discrepancy, the Catalan-language version prevails.)

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ANDORRA BANC AGRÍCOL REIG, SA AND SUBSIDIARIES

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(Free translation from the original in Catalan. In the event of discrepancy, the Catalan-language version prevails.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

APPENDIX

ANDORRA BANC AGRÍCOL REIG, SA AND SUBSIDIARIES

Consolidated Statements of Financial Position

(Expressed in thousands of Euros)

(Free translation from the original in Catalan. In the event of discrepancy, the Catalan-language version prevails.)

STATEMENT OF FINANCIAL POSITION ASSETS	31/12/2020	31/12/2019
Cash, cash balances at central banks and other demand deposits (note 5)	**1.302.133**	**1.058.885**
Cash	16.682	19.209
Cash balances at central banks	989.194	721.153
Other demand deposits	296.257	318.523
Financial assets held for trading (note 6)	**189.958**	**174.198**
Derivatives	108.897	76.796
Equity instruments	2.034	7.351
Debt securities	79.027	90.051
Non-trading financial assets mandatorily at fair value through profit or loss (note 7)	**8.990**	**10.073**
Equity instruments	8.990	10.073
Financial assets designated at fair value through profit or loss (note 8)	**13.619**	**-**
Debt securities	13.619	-
Financial assets at fair value through other comprehensive income (note 9)	**318.276**	**514.318**
Equity instruments	13.880	23.560
Debt securities	304.396	490.758
Financial assets at amortised cost (note 10)	**2.834.770**	**2.185.554**
Debt securities	514.095	195.424
Loans and advances	2.320.675	1.990.130
Derivatives - Hedge accounting (note 11)	**4.089**	**822**
Changes in the fair value of hedged items in portfolio hedges of interest risk (note 11)	**5.976**	**4.609**
Investments in subsidiaries, joint ventures and associates (note 12)	**3.243**	**2.862**
Assets under insurance and reinsurance contracts	**3.052**	**4.520**
Tangible assets (note 13)	**131.567**	**146.987**
Property, plant and equipment	118.844	137.882
Investment property	12.723	9.105
Intangible assets (note 14)	**288.876**	**284.219**
Goodwill	158.307	159.925
Other intangible assets	130.569	124.294
Tax assets (note 15)	**25.281**	**27.926**
Current tax assets	7.102	5.446
Deferred tax assets	18.179	22.480
Other assets (note 16)	**77.211**	**121.736**
Non-current assets and disposal groups classified as held for sale (note 17)	**20.015**	**24.674**
TOTAL ASSETS	**5.227.056**	**4.561.383**

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

Consolidated Statements of Financial Position

(Expressed in thousands of Euros)

(Free translation from the original in Catalan. In the event of discrepancy, the Catalan-language version prevails.)

STATEMENT OF FINANCIAL POSITION **LIABILITIES**	**31/12/2020**	**31/12/2019**
Financial liabilities held for trading (note 6)	**74.299**	**53.663**
Derivatives	74.299	53.663
Financial liabilities designated at fair value through profit or loss	**-**	**-**
Financial liabilities at amortised cost (note 18)	**4.488.959**	**3.858.847**
Deposits	3.997.436	3.282.533
Debt securities issued	374.135	458.060
Other financial liabilities	117.388	118.254
Derivatives - Hedge accounting (note 11)	**6.268**	**5.224**
Changes in the fair value of hedged items in portfolio hedges of interest risk (note 11)	**-**	**-**
Liabilities under insurance and reinsurance contracts	**3.052**	**4.520**
Provisions (note 19)	**18.997**	**22.740**
Tax liabilities (note 15)	**13.247**	**14.632**
Current tax liabilities	4.088	4.056
Deferred tax liabilities	9.159	10.576
Share capital repayable on demand	**-**	**-**
Other liabilities (note 16)	**84.657**	**78.654**
Liabilities included in disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**4.689.479**	**4.038.280**

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

ANDORRA BANC AGRÍCOL REIG, SA AND SUBSIDIARIES

Consolidated Statements of Financial Position

(Expressed in thousands of Euros)

(Free translation from the original in Catalan. In the event of discrepancy, the Catalan-language version prevails.)

STATEMENT OF FINANCIAL POSITION CAPITAL AND RESERVES	31/12/2020	31/12/2019
Capital (note 20)	**78.842**	**78.842**
Called up paid capital	78.842	78.842
Share premium (note 20)	**73.441**	**73.441**
Equity instruments issued other than capital (note 20)	**34.800**	**35.000**
Other equity instruments issued	34.800	35.000
Other equity	-	-
Accumulated other comprehensive income (note 21)	**(34.511)**	**(17.898)**
Items that will not be classified to profit or loss	75	276
Fair value changes of equity instruments measured at fair value through other comprehensive income	75	276
Items that may be reclassified to profit or loss	(34.586)	(18.174)
Foreign currency translation	(35.562)	(15.168)
Hedging derivatives Cash flow hedges (effective portion)	(529)	(2.825)
Fair value changes of debt instruments measured at fair value through other comprehensive income	1.505	(181)
Retained earnings (note 20)	**455.963**	**427.156**
Revaluation reserves (note 20)	-	-
Revaluation reserves	-	-
Other reserves (note 20)	**(103.855)**	**(100.367)**
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates	41.040	44.528
Other	(144.895)	(144.895)
(-) Own shares	**(1.927)**	**(1.927)**
Profit or loss attributable to owners of the Parent	**29.470**	**28.040**
(-) Interim dividends	-	-
Minority interests (non-controlling interests)	**5.354**	**816**
Accumulated other comprehensive income	5.354	816
TOTAL EQUITY	**537.577**	**523.103**
TOTAL EQUITY AND LIABILITIES	**5.227.056**	**4.561.383**

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

ANDORRA BANC AGRÍCOL REIG, SA AND SUBSIDIARIES

Consolidated Income Statements

(Expressed in thousands of Euros)

(Free translation from the original in Catalan. In the event of discrepancy, the Catalan-language version prevails.)

INCOME STATEMENT

	31/12/2020	31/12/2019
Interest income (note 24)	**41.866**	**49.278**
Financial assets held for trading	1.692	5.849
Financial assets at fair value through other comprehensive income	4.358	5.418
Financial assets at amortised cost	35.799	38.011
Derivatives - Hedge accounting, interest rate risk	14	-
Other assets	3	-
(Interest expenses) (note 24)	**(20.582)**	**(31.477)**
(Financial liabilities measured at amortised cost)	(18.649)	(29.567)
(Derivatives - Hedge accounting, interest rate risk)	(201)	-
(Other liabilities)	(1.732)	(1.910)
(Expenses on share capital repayable on demand)	-	-
Dividend income (note 25)	**118**	**169**
Financial assets at fair value through other comprehensive income	118	169
Fee and commission income (note 26)	**182.046**	**175.100**
(Fee and commission expenses) (note 27)	**(57.758)**	**(47.691)**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (note 28)	**6.926**	**17.161**
Financial assets at fair value through other comprehensive income	6.926	11.368
Financial assets at amortised cost	-	5.793
Financial assets at fair value through other comprehensive income	-	-
Gains or losses on financial assets and liabilities held for trading, net (note 28)	**48.571**	**36.294**
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net (note 28)	**3.075**	**2.008**
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	**104**	-
Gains or losses from hedge accounting, net (note 28)	**(270)**	**(228)**
Exchange differences (gain or loss), net (note 29)	**5.463**	**6.227**
Gains or losses on derecognition of non-financial assets, net	**3.197**	**488**
Other operating income (note 30)	**8.726**	**5.776**
(Other operating expenses) (note 30)	**(6.278)**	**(5.207)**
TOTAL OPERATING INCOME/EXPENSES, NET	**215.204**	**207.898**
(Administrative expenses) (note 31)	**(151.852)**	**(150.445)**
(Staff expenses)	(99.272)	(102.973)
(Other administrative expenses)	(52.580)	(47.472)
(Amortisation and depreciation)	**(28.482)**	**(23.748)**
(Property, plant and equipment) (note 13)	(16.346)	(15.687)
(Investment properties) (note 13)	(156)	(142)
(Other intangible assets) (note 14)	(11.980)	(7.919)
Modification gains or losses, net	-	-
(Provisions or reversal of provisions) (note 32)	**(873)**	**(3.479)**
(Commitments and guarantees given)	16	(58)
(Other provisions)	(889)	(3.421)
(Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss) (note 33)	**682**	**1.441**
(Financial assets at fair value through other comprehensive income)	(84)	(42)
(Financial assets at amortised cost)	766	1.483
(Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates) (note 12)	**140**	**(300)**
(Impairment or reversal of impairment on non-financial assets) (note 34)	**(516)**	**(73)**
(Property, plant and equipment)	(255)	10
(Other intangible assets)	(243)	26
(Other)	(18)	(109)
Negative goodwill recognised in profit or loss	-	-
Share of the profit or loss of investments in subsidiaries, joint ventures and associates	**378**	**292**
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (note 35)	**1.490**	**1.595**
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**36.171**	**33.181**
(Tax expense or income related to profit or loss from continuing operations)	(5.912)	(5.143)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**30.259**	**28.038**
Profit or loss after tax from continuing operations	-	-
PROFIT OR LOSS FOR THE YEAR	**30.259**	**28.038**
Attributable to minority interest (non-controlling interests)	789	(2)
Attributable to owners of the Parent	**29.470**	**28.040**

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

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ANDORRA BANC AGRÍCOL REIG, SA AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Expressed in thousands of Euros)

(Free translation from the original in Catalan. In the event of discrepancy, the Catalan-language version prevails.)

STATEMENT OF COMPREHENSIVE INCOME

	31/12/2020	31/12/2019
Profit or loss for the year	**30.259**	**28.038**
Other comprehensive income	**(16.613)**	**1.362**
Items that will not be classified to profit or loss	**(201)**	**276**
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	(223)	307
Income tax relating to items that will not be reclassified	22	(31)
Items that may be reclassified to profit or loss	**(16.412)**	**1.086**
Foreign currency translation	(20.394)	(4.255)
Translation gains or losses taken to equity	(20.394)	(4.255)
Hedging derivatives Cash flow hedges (effective portion)	2.551	1.031
Valuation gains or losses taken to equity	2.551	1.031
Debt instruments at fair value through other comprehensive income	1.873	4.903
Valuation gains or losses taken to equity	1.873	4.903
Income tax relating to items that may be reclassified to profit or loss	(442)	(593)
Total comprehensive income for the year	**13.646**	**29.400**
Attributable to minority interest (non-controlling interest)	789	(2)
Attributable to owners of the Parent	12.857	29.402

ANDORRA BANC AGRÍCOL REIG, SA AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

(Expressed in thousands of Euros)

(Free translation from the original in Catalan. In the event of discrepancy, the Catalan-language version prevails.)

STATEMENT OF CHANGES IN EQUITY

	Capital	Share premium	Equity instruments issued other than capital	Accumulated other comprehensive income	Retained earnings	Revaluation reserves	Other reserves	(-) Own shares	Profit or loss attributable to owners of the Parent	Minority interests Accumulated other comprehensive income	Total
Balance at 31 December 2019	78.842	73.441	35.000	(17.898)	427.156	-	(100.367)	(1.927)	28.040	816	523.103
Balance at 1 January 2020	78.842	73.441	35.000	(17.898)	427.156	-	(100.367)	(1.927)	28.040	816	523.103
Exercise or expiration of other equity instruments issued	-	-	(200)	-	-	-	-	-	-	-	(200)
Transfers among components of equity	-	-	-	-	30.726	-	-	-	(28.040)	-	2.686
Other increase or decrease in equity	-	-	-	-	(1.919)	-	(3.488)	-	-	3.749	(1.658)
Total comprehensive income for the year	-	-	-	(16.613)	-	-	-	-	29.470	789	13.646
Balance at 31 December 2020	78.842	73.441	34.800	(34.511)	455.963	-	(103.855)	(1.927)	29.470	5.354	537.577

	Capital	Share premium	Equity instruments issued other than capital	Accumulated other comprehensive income	Retained earnings	Revaluation reserves	Other reserves	(-) Own shares	Profit or loss attributable to owners of the Parent	Minority interests Accumulated other comprehensive income	Total
Balance at 31 December 2018	78.842	73.441	35.000	(8.334)	411.782	645	(100.982)	(1.927)	27.078	1.099	516.644
Effects of correction of errors	-	-	-	(10.926)	-	-	(4.044)	-	-	-	(14.970)
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Balance at 1 January 2019	78.842	73.441	35.000	(19.260)	411.782	645	(105.026)	(1.927)	27.078	1.099	501.674
Transfers among components of equity	-	-	-	-	17.299	(645)	-	-	(27.078)	-	(10.424)
Other increase or decrease in equity	-	-	-	-	(1.925)	-	4.659	-	-	(281)	2.453
Total comprehensive income for the year	-	-	-	1.362	-	-	-	-	28.040	(2)	29.400
Balance at 31 December 2019	78.842	73.441	35.000	(17.898)	427.156	-	(100.367)	(1.927)	28.040	816	523.103

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

ANDORRA BANC AGRÍCOL REIG, SA AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Expressed in thousands of Euros)

(Free translation from the original in Catalan. In the event of discrepancy, the Catalan-language version prevails.)

STATEMENT OF CASH FLOWS

		31/12/2020	31/12/2019
A)	**CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES**	**349.050**	**(328.456)**
	Profit for the year	**29.470**	**28.040**
	Adjustments to obtain cash flows from operating activities	**15.835**	**4.506**
	Depreciation and amortisation	28.482	23.748
	Other adjustments	(12.647)	(19.242)
	Net increase/(decrease) in operating assets	**(429.716)**	**(358.859)**
	Financial assets held for trading	(15.760)	27.128
	Non-trading financial assets mandatorily at fair value through profit or loss	(9.280)	(1.794)
	Financial assets at fair value through other comprehensive income	204.305	(80.056)
	Financial assets at amortised cost	(648.873)	(250.829)
	Other operating assets	39.892	(53.308)
	Net increase/decrease in operating liabilities	**731.822**	**(2.777)**
	Financial liabilities held for trading	20.636	(12.564)
	Financial liabilities measured at amortised cost	712.980	24.590
	Other operating liabilities	(1.794)	(14.803)
	Income tax receivable/payable	**1.639**	**634**
B)	**CASH FLOWS USED IN INVESTING ACTIVITIES**	**(19.757)**	**(29.569)**
	Payments	**(39.023)**	**(43.912)**
	Tangible assets	(11.639)	(7.696)
	Intangible assets	(18.255)	(30.929)
	Investments in joint ventures and associates	(8.748)	(5.287)
	Subsidiaries and other business units	(381)	-
	Amounts received	**19.266**	**14.343**
	Tangible assets	12.694	3.030
	Investments in joint ventures and associates	-	116
	Non-current assets and liabilities classified as held for sale	6.572	11.197
C)	**CASH FLOWS USED IN FINANCING ACTIVITIES**	**(86.045)**	**(16.483)**
	Payments	**(86.045)**	**(16.483)**
	Debt securities	(83.925)	(14.558)
	Other payments relating to financing activities	(2.120)	(1.925)
D)	**EFFECT OF FOREIGN EXCHANGE RATE DIFFERENCES**	-	-
E)	**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)**	**243.248**	**(374.508)**
F)	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD**	**1.058.885**	**1.433.393**
G)	**CASH AND CASH EQUIVALENTS AT END OF THE PERIOD**	**1.302.133**	**1.058.885**

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

ANDORRA BANC AGRICOL REIG, S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

31 December 2020

(Free translation from the original in Catalan. In the event of discrepancy, the Catalan-language version prevails.)

Notes to the Consolidated Annual Accounts

(1) Nature, Activity and Composition of the Group

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

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

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

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

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

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

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

ANDORRA BANC AGRICOL REIG, S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Free translation from the original in Catalan. In the event of discrepancy, the Catalan-language version prevails.)

(2) Basis of presentation of the consolidated annual accounts

a) Compliance with IFRS as adopted by the Andorran Government

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

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

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

b) Basis of presentation of the annual accounts

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

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

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

c) Comparative information

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

d) Changes in accounting criteria and correction of errors

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

- As a result of an income tax inspection for 2016 and 2017 it has come to light that, for the purpose of inspection criteria, certain deductions for new investments have not been applied. In the context of the current regulatory framework for income tax, Andbank has erroneously interpreted what is stipulated in Andorran legislation regarding the deduction for new investments. Consequently, it has recognised new tax liabilities amounting to Euros 926 thousand against reserves (Euros 926 thousand in 2018).
- It has reclassified the translation differences arising from exchange rates existing at 31 December 2019 from Other reserves to Currency conversion under Accumulated other comprehensive income, for an amount of Euros 7,894 thousand (Euros 2,721 thousand in 2018).
- Prior to 31 December 2019 goodwill in foreign currency was treated as a non-monetary asset, valued at a historical exchange rate. Its valuation has been changed to a closing exchange rate, which has led to an impact of Euros 7,290 thousand in Accumulated other comprehensive income (Euros 8,205 thousand in 2018).
- It has been detected that the goodwill of Quest Capital Advisers Agente de Valores S.A. (Uruguay) showed indications of impairment, which had arisen in prior years. Following the analysis, prior years' amortisation of goodwill amounting to Euros 2,000 thousand has been recognised under Other reserves (Euros 2,000 thousand in 2018).
- The Bank has detected a series of items in its asset accounts that have been recognised incorrectly against equity and have arisen from prior years which amount to Euros 4,266 thousand (Euros 4,266 thousand at 31 December 2018). In order to correct this situation in the 2020 annual accounts and because this was a prior year error, these items have been written off against reserves (net of tax), as indicated in IAS 8.

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

Statement of financial position	Presented at 31 December 2019	Impact of restatement	Restated at 31 December 2019
Intangible assets	293.510	(9.291)	284.219
Tax assets	27.499	427	27.926
Other assets	126.002	(4.266)	121.737
Total Assets	**4.574.513**	**(13.130)**	**4.561.383**
Other liabilities	77.728	926	78.654
Total Liabilities	**4.037.354**	**926**	**4.038.280**
Other accumulated comprehensive income	(2.713)	(15.185)	(17.898)
Other reserves	(101.496)	1.129	(100.367)
Total Equity	**537.159**	**(14.056)**	**523.103**

e) Functional and presentation currency

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

f) Relevant accounting estimates and relevant assumptions and judgements when applying accounting policies

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

(i) Relevant accounting estimates and assumptions

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

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

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

(ii) Relevant judgements

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

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

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g) New requirements of the IFRS introduced in 2020

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

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

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

h) Recent IFRS pronouncements

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

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

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

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

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

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

i) Impacts deriving from COVID-19

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

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

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

Measures in Andorra

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

Financial support measures

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

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

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

Measures to support customers

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

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

Declarations of regulating and supervisory bodies

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

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

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

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

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

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

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

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

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

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

Going concern principle

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

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

(3) Relevant accounting principles and valuation standards

a) Business combinations and consolidation principles

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

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

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

(i) Subsidiaries

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

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

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

- It has power over the investee.

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

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

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

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

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

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

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

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

(ii) Joint ventures (jointly-controlled entities)

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

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

(iii) Associates

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

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

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

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

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

(iv) Andbank Group companies

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

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

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

- Takeover merger of Andbank Financeira Ltda. (absorbed company) by Andbank Distribuidora de Titulos e Valores Mobiliarios Ltda. (absorbing company). Consequently, Banco Andbank (Brasil), S.A. became the direct shareholder of Andbank Distribuidora de Titulos e Valores Mobiliarios Ltda.
- Takeover merger of Andbank (Brasil) Holding Financeira Ltda. (absorbed company) by Banco Andbank (Brasil) S.A. (absorbing company). Consequently, Andorra Banc Agrícol Reig, S.A. became the direct shareholder of Banco Andbank (Brasil), S.A.
- Takeover merger of Andbank Wealth Participaçoes Ltda. (absorbed company) by Andbank Participaçoes Ltda. (absorbing company) to simplify the structure of the holding.
- Spin-off of Andbank Participaçoes Ldta. The two companies resulting from the spin-off (Andbank Participaçoes Ltda. "1" and Andbank Participaçoes Ltda. "2") became, respectively, shareholders of Andbank Corretora de Seguros de Vida Ltda. and Andbank Gestao de Patrimonio Financeiro Ltda. At the same time the takeover merger took place of Andbank Participaçoes Ltda. "1" (absorbed company) by Andbank Corretora de Seguros de Vida Ltda. (absorbing company) and the takeover merger of Andbank Participaçoes Ltda. "2" (absorbed company) by Andbank Gestao de Patrimonio Financeiro Ltda. (absorbing company).

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

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

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

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

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

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

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

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

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

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

b) Financial instruments

(i) Classification of financial assets and financial liabilities

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

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

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

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

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

- A financial instrument is classified in the amortised cost portfolio when it is held within a business model, whose objective is to hold the financial instrument in order to collect contractual cash flows and comply with the SPPI test.
- A financial instrument is classified under financial assets at fair value through other comprehensive income if the financial instrument is held within a business model, whose objective is achieved by both collecting contractual cash flows, and selling and complying with the SPPI test.

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

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

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

  Initial and subsequent measurement:

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

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

  Initial measurement:

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

  Subsequent measurement:

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

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

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

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

Initial measurement:

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

Subsequent measurement:

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

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

Financial liabilities are classified in the following categories:

- Financial liabilities measured at amortised cost: liabilities recognised in this line item of the statement of financial position are measured after their acquisition at amortised cost, which is determined in accordance with the effective interest rate method.
- Financial liabilities held for trading: instruments are included in this category when the Andbank Group's objective is to generate profits through purchasing and selling these instruments.

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

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(ii) Impairment of financial assets

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

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

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

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

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

- 12-month expected credit losses: Are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date of the financial statements; and
- Life-time expected credit losses: Are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

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

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

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

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

- If the risks and rewards of ownership of the financial asset are transferred substantially, (as in the case of unconditional sales, sales of financial assets under an agreement to repurchase them at their fair value at the date of repurchase, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitisation of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to new holders, inter alia), the transferred financial asset is derecognised in the consolidated statement of financial position and any right or obligation retained or created in the transfer is recognised simultaneously.
- If the risks and rewards inherent to ownership of the transferred financial asset are substantially retained (such as in the case of financial assets sold under an agreement to repurchase them at a fixed price or at the sale price plus a lender's return, the securities loan agreements in which the borrower is under the obligation to return these securities or similar assets or other similar situations) they are not derecognised in the consolidated statement of financial position and continue to be measured using the same criteria used prior to the transfer and the following are recognised:
    - An associated financial liability for an amount equal to that of the consideration received, which is measured subsequently at amortised cost, unless the requirements are met for classifying it as other liabilities at fair value through profit or loss.
    - Income from the transferred financial asset that is not derecognised and any expense incurred on the new financial liability without being offset.

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

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

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

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

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

(iv) Offsetting financial assets and financial liabilities

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

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

(v) Hedge accounting

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

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

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

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

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

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

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

(vi) Fair value of financial instruments

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

- Level 1: Based on quoted prices in active markets.
- Level 2: Using valuation techniques in which the inputs considered correspond to directly or indirectly observable market data or quoted prices in active markets for similar instruments.
- Level 3: Using valuation techniques where some of the significant inputs are not derived from directly observable market data.

Process of determining the fair value

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

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

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

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

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

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

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

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

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

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

Transfers between levels

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

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

Sensitivity analysis

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

Credit valuation adjustments.

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

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

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

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

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

c) Equity instruments issued

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

- There is no contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable (to the issuer of the instrument).
- If a derivative can or may be settled in the issuer's own equity instruments then it is a derivative for which the issuer is obliged to deliver a fixed number of own equity instruments; or a derivative that will only be settled by the issuer by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

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

- There is a contractual obligation to deliver cash or another financial asset to another entity;
- There is a contractual obligation to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable (to the issuer of the instrument) or;
- It is a non-derivative for which the issuer is obliged to deliver a variable number of its own equity instruments; or
- A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

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

d) Financial guarantees

Financial guarantees issued

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

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

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

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

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

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

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

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

Financial guarantees received

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

e) Foreign currency and functional currency transactions

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

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

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

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

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

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

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

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

- Financial assets at fair value through other comprehensive income.
- A financial liability designated for hedging investments in a foreign transaction, taking into consideration that this hedging is considered effective.
- Cash flow hedges provided that it is considered as effective hedging.

f) Recognition of income and expenses.

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

Interest income and expenses, dividends and similar items

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

Fees and commissions

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

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

Non-finance income and expense

These are recognised for accounting purposes on an accrual basis.

Deferred collections and payments.

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

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

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

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

h) Employee benefits.

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

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

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

Short-term employee benefits

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

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

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

Post-employment benefits

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

Other long-term employee benefits

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

i) Income tax

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

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

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

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

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

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

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

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

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

j) Indirect tax on goods delivered, services rendered and imports

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

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

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

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

k) Non-resident income tax

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

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

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

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

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

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

m) Tax assets and liabilities

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

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

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

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

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

n) Tangible assets

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

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

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

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

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

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

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

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

Similarly, when it can be observed that the value of the assets has been recovered, the Andbank Group recognises the reversal of the impairment loss recognised in prior periods and adjusts the future depreciation charges accordingly. Under no circumstances may the reversal of an impairment loss on an asset increase its carrying amount above the carrying amount it would have if no impairment losses had been recognised in previous years.

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

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

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

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

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

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

Disposals

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

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

o) Intangible assets

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

Goodwill

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

In business combinations goodwill arises as the positive difference between:

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

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

Under no circumstances is goodwill amortised.

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

Other intangible assets

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

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

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

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

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

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

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

Disposals

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

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

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

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

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

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

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

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

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

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

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

q) Leases

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

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

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

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

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

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

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

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

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

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

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

r) Contingent assets

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

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

s) Provisions and contingent liabilities

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

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

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

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

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

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

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

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

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

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

Details of the contingent liabilities identified are as follows:

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

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

t) Insurance transactions

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

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

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

For this purpose, the following is determined:

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

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

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

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

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

- Provision for unearned premiums and unexpired risks

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

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

- Provision for life insurance

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

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

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

- Claims provision

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

- Provisions for bonuses and rebates

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

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

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

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

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

u) Own Shares

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

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

v) Statement of changes in equity

Statements of comprehensive income

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

Accordingly, the statement presents:

- Consolidated profit for the year
- Movement in Accumulated other comprehensive income under consolidated equity that includes:
  - The gross amount of recognised income and expenses, distinguishing between income and expenses that can and cannot be reclassified to profit or loss.
  - Income tax accrued on recognised income and expenses, except for income and expenses originating in investments in associates or joint ventures accounted for using the equity method, which are presented net.
  - Total consolidated recognised income and expenses, calculated as the sum of the two items above, showing separately the amount attributable to the Parent and that corresponding to minority interests (non-controlling interests).

Statement of changes in equity

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

- Adjustments due to changes in accounting criteria and correction of errors: changes in consolidated equity arising as a result of the retrospective restatement of the balances in the financial statements, distinguishing those that originate in changes in accounting policies from those corresponding to the correction of errors.

- Total recognised income and expenses: the aggregate total of the aforementioned items recognised in the statement of recognised income and expense.

- Other changes in consolidated equity: the remaining items recognised in consolidated equity, including increases and decreases in capital, distribution of dividends, transactions involving own equity instruments, own equity-based payments, transfers between equity items and any other increases or decreases in consolidated equity.

w) Statement of cash flows

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

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

- Cash flows: Inflows and outflows of cash or cash equivalents, which are short-term, highly liquid investments subject to a low risk of changes in value. For this purpose, in addition to cash in hand, deposits in central banks and demand deposits in credit institutions are also classified as cash or cash equivalents.

- Operating activities: the Andbank Group's usual activities and other activities that cannot be classified as investing or financing activities.

- Investing activities: the acquisition, sale or other disposal by other means of non-current assets and other investments not included in cash or cash equivalents in operating activities.

- Financing activities: activities that result in changes in the size and composition of the consolidated equity and liabilities not forming part of operating activities.

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

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

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(4) Distribution of Profit

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

	Thousands of Euros
	2020
Legal reserve	-
Voluntary reserves	11.070
Interim dividend	-
Dividends	4.000
	15.070

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

	Thousands of Euros
	2019
Legal reserve	-
Voluntary reserves	30.726
Interim dividend	-
Dividends	-
	30.726

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

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Cash	16.682	19.209
Cash balances at central banks	989.194	721.153
Other demand deposits	296.257	318.523
	1.302.133	**1.058.885**

(6) Financial assets and liabilities held for trading

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Financial assets held for trading		
Derivatives	108.897	76.796
Equity instruments	2.034	7.351
Debt securities	79.027	90.051
Loans and advances	-	-
	189.958	**174.198**

	Thousands of Euros	
	31/12/2020	31/12/2019
Financial liabilities held for trading		
Derivatives	74.299	53.663
Deposits	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
	74.299	**53.663**

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

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

a) Financial assets held for trading

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

	Thousands of Euros	
	31/12/2020	31/12/2019
	Carrying amount	Carrying amount
Derivatives	**108.897**	**76.796**
Equity instruments	**2.034**	**7.351**
Of which: at cost	-	-
Of which: credit institutions	-	-
Of which: other financial corporations	-	-
Of which: non-financial corporations	2.034	7.351
Debt securities	**79.027**	**90.051**
Central banks	-	-
General governments	5.043	380
Credit institutions	1.389	23.606
Other financial corporations	21.660	6.301
Non-financial corporations	50.935	59.764
	189.958	**174.198**

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

	Thousands of Euros			
	31/12/2020		31/12/2019	
	Financial assets pledged as collateral for liabilities	Financial assets not pledged as collateral for liabilities	Financial assets pledged as collateral for liabilities	Financial assets not pledged as collateral for liabilities
Financial assets held for trading				
Derivatives	-	108.897	-	76.796
Equity instruments	-	2.034	-	7.351
Debt securities	-	79.027	7.970	82.081
Loans and advances	-	-	-	-
	-	**189.958**	**7.970**	**166.228**

b) Reclassification of financial assets between categories

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

c) Derivatives

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

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

	Thousands of Euros		
At 31 December 2020	Financial assets held for trading	Financial liabilities held for trading	Notional amount
Interest rate	**39.719**	**6.096**	**559.127**
Of which: economic hedges	39.719	6.096	559.127
OTC options	-	-	-
OTC other	39.719	6.096	559.127
Organised market options	-	-	-
Organised market other	-	-	-
Equity risk	**36.796**	**35.699**	**142.212**
Of which: economic hedges	36.796	35.699	142.212
OTC options	-	-	-
OTC other	36.796	35.699	142.212
Organised market options	-	-	-
Organised market other	-	-	-
Foreign exchange and gold	**14.721**	**14.629**	**819.023**
Of which: economic hedges	14.721	14.629	819.023
OTC options	-	-	-
OTC other	14.721	14.629	819.023
Organised market options	-	-	-
Organised market other	-	-	-
Credit	**17.324**	**17.874**	**1.034.563**
Of which: economic hedges	17.324	17.874	1.034.563
Credit default swap	17.324	17.874	1.034.563
Credit spread options	-	-	-
Total return swaps	-	-	-
Other	-	-	-
Commodity	**-**	**-**	**-**
Of which: Economic hedges	-	-	-
Other	**337**	**1**	**11.356**
Of which: Economic hedges	337	1	11.356
DERIVATIVES	**108.897**	**74.299**	**2.566.281**
Of which: OTC - Credit institutions	64.809	56.398	1.785.548
Of which: OTC - Other financial corporations	44.088	17.901	780.733
Of which: OTC - Other	-	-	-
	108.897	**74.299**	**2.566.281**

	Thousands of Euros		
At 31 December 2019	Financial assets held for trading	Financial liabilities held for trading	Notional amount
Interest rate	**34.825**	**11.104**	**573.326**
Of which: economic hedges	34.825	11.104	573.326
OTC options	-	-	-
OTC other	34.825	11.104	573.326
Organised market options	-	-	-
Organised market other	-	-	-
Equity risk	**21.310**	**21.109**	**284.056**
Of which: economic hedges	21.310	21.109	284.056
OTC options	-	-	-
OTC other	21.310	21.109	284.056
Organised market options	-	-	-
Organised market other	-	-	-
Foreign exchange and gold	**2.652**	**3.080**	**410.744**
Of which: economic hedges	2.652	3.080	410.744
OTC options	-	-	
OTC other	2.652	3.080	410.744
Organised market options	-	-	-
Organised market other	-	-	-
Credit	**17.825**	**18.370**	**1.069.882**
Of which: economic hedges	17.825	18.370	1.069.882
Credit default swap	17.825	18.370	1.069.882
Credit spread options	-	-	-
Total return swaps	-	-	-
Other	-	-	-
Commodity	**-**	**-**	**-**
Of which: Economic hedges	-	-	-
Other	**184**	**-**	**5.374**
Of which: Economic hedges	184	-	5.374
DERIVATIVES	**76.796**	**53.663**	**2.343.382**
Of which: OTC - Credit institutions	43.003	34.758	1.629.454
Of which: OTC - Other financial corporations	33.793	18.905	713.928
Of which: OTC - Other	-	-	-
	76.796	**53.663**	**2.343.382**

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

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Equity instruments	8.990	10.073
Debt securities	-	-
Loans and advances	-	-
	8.990	**10.073**

(8) Financial assets designated at fair value through profit or loss

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Equity instruments	-	-
Debt securities	13.619	-
Loans and advances	-	-
	13.619	**-**

(9) Financial assets designated at fair value through comprehensive income

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Equity instruments	13.880	23.560
Debt securities	304.396	490.758
Loans and advances	-	-
	318.276	**514.318**

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

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

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

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Equity instruments		
Others (CIU, securitisation)	-	-
Companies	13.880	23.560
Banking and financial entities	-	-
	13.880	**23.560**
Debt securities		
Central banks	-	-
General governments	128.926	246.683
Credit institutions	127.463	146.175
Other financial corporations	-	53.202
Non-financial corporations	48.007	44.698
	304.396	**490.758**

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(10) Financial assets at amortised cost

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

	Thousands of Euros						
		Gross carrying amount			Accumulated impairment		
31 December 2020	Net carrying amount	Assets without significant increase in credit risk since initial recognition (Stage 1)	Assets with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	Credit-impaired assets (Stage 3)	Assets without significant increase in credit risk since initial recognition (Stage 1)	Assets with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	Credit-impaired assets (Stage 3)
Debt securities	**514.095**	**514.095**	-	-	-	-	-
Central banks	-	-	-	-	-	-	-
General governments	64.748	64.748	-	-	-	-	-
Credit institutions	283.356	283.356	-	-	-	-	-
Other financial corporations	86.263	86.263	-	-	-	-	-
Non-financial corporations	79.728	79.728	-	-	-	-	-
Deposits in credit institutions	**422.157**	**422.157**	-	-	-	-	-
Credit institutions	422.157	422.157	-	-	-	-	-
Loans and advances	**1.898.518**	**1.730.488**	**151.624**	**60.235**	**(1.538)**	**(26.657)**	**(15.634)**
Central banks	-	-	-	-	-	-	-
General governments	30.464	30.617	-	-	(153)	-	-
Credit institutions	28	28	-	-	-	-	-
Other financial corporations	33.639	33.490	-	184	(9)	-	(26)
Non-financial corporations	746.781	618.527	113.713	41.371	(588)	(19.523)	(6.719)
Households	1.087.606	1.047.826	37.911	18.680	(788)	(7.134)	(8.889)
FINANCIAL ASSETS AT AMORTISED COST	**2.834.770**	**2.666.740**	**151.624**	**60.235**	**(1.538)**	**(26.657)**	**(15.634)**

	Thousands of Euros						
		Gross carrying amount			Accumulated impairment		
31 December 2019	Net carrying amount	Assets without significant increase in credit risk since initial recognition (Stage 1)	Assets with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	Credit-impaired assets (Stage 3)	Assets without significant increase in credit risk since initial recognition (Stage 1)	Assets with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	Credit-impaired assets (Stage 3)
Debt securities	**195.424**	**195.424**	-	-	-	-	-
Central banks	-	-	-	-	-	-	-
General governments	45.656	45.656	-	-	-	-	-
Credit institutions	59.483	59.483	-	-	-	-	-
Other financial corporations	38.886	38.886	-	-	-	-	-
Non-financial corporations	51.399	51.399	-	-	-	-	-
Deposits in credit institutions	**379.217**	**379.217**	-	-	-	-	-
Credit institutions	379.217	379.217	-	-	-	-	-
Loans and advances	**1.610.913**	**1.412.152**	**200.293**	**47.269**	**(1.566)**	**(31.894)**	**(15.341)**
Central banks	-	-	-	-	-	-	-
General governments	45.061	45.287	-	-	(226)	-	-
Credit institutions	73	73	-	-	-	-	-
Other financial corporations	57.896	57.644	160	184	(12)	(1)	(79)
Non-financial corporations	671.296	512.610	159.528	29.013	(534)	(23.593)	(5.728)
Households	836.587	796.538	40.605	18.072	(794)	(8.300)	(9.534)
FINANCIAL ASSETS AT AMORTISED COST	**2.185.554**	**1.986.793**	**200.293**	**47.269**	**(1.566)**	**(31.894)**	**(15.341)**

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

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

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

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

	Net carrying amount						
31 December 2020	Totals	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households
On demand and short notice (current account)	8.539	-	37	-	183	2.316	6.003
Credit card debt	4.806	-	-	6	34	540	4.226
Trade receivables	1.543	-	-	12	-	1.495	36
Finance leases	-	-	-	-	-	-	-
Reverse repurchase loans	-	-	-	-	-	-	-
Other term loans	1.883.630	-	30.427	10	33.422	742.430	1.077.341
Advances that are not loans	-	-	-	-	-	-	-
Loans and advances	1.898.518	-	30.464	28	33.639	746.781	1.087.606

	Net carrying amount						
31 December 2019	Totals	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households
On demand and short notice (current account)	13.012	-	127	-	313	6.401	6.171
Credit card debt	5.607	-	-	54	71	832	4.650
Trade receivables	2.492	-	-	9	3	2.426	54
Finance leases	-	-	-	-	-	-	-
Reverse repurchase loans	-	-	-	-	-	-	-
Other term loans	1.589.802	-	44.934	10	57.509	661.638	825.711
Advances that are not loans	-	-	-	-	-	-	-
Loans and advances	1.610.913	-	45.061	73	57.896	671.297	836.586

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

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

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

With a frequency of at least one year the Bank must verify the existence of indications of significant decreases in its benchmark valuations for operations classified as standard exposure with real estate guarantees. Only in the case that evidence of losses in value of this collateral exists or in those cases in which impairment in the debtor's solvency arises which could imply that these guarantees could have been used, this valuation is updated based on the same criteria: collateral securities in the form of securities quoted in active markets are measured at quoted value, adjusted by a percentage to cover any possible variations in this market value which could jeopardise the coverage of the risk; guarantees and similar collateral used to cover credit risk are measured, for the purpose of determining the coverage, at nominal amount which is equivalent to the covered risk; guarantees in the form of pledged deposits are measured at the value of these deposits and in the event they are denominated in foreign currency they are converted at the exchange rate at each valuation date.

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

Details of loans and advances and deposits in credit institutions based on principal collateral securities and disclosure of the percentage of coverage on the operations, at 31 December 2020 and 2019, are as follows:

	Thousands of Euros					
		% coverage				
31 December 2020	Gross carrying amount	≤ 40% or without	> 40% and ≤ 60%	> 60% and ≤ 80%	> 80% and ≤ 100%	> 100%
Deposits in credit institutions	**422.157**	**13.785**	**0**	**0**	**408.372**	**0**
Credit institutions	422.157	13.785	0	0	408.372	0
Loans and advances	**1.942.347**	**135.704**	**4.544**	**11.950**	**76.153**	**1.713.996**
Operations collateralised by immovable property	1.041.342	0	3.272	7.202	45.621	985.247
Operations collateralised by debt securities/instruments	628.489	112	127	4.335	20.282	603.633
Operations collateralised by monetary assets	137.433	509	1.145	413	10.250	125.116
Operations with no guarantee and/or personal collateral	135.083	135.083	0	0	0	0
FINANCIAL ASSETS AT AMORTISED COST	**2.364.504**	**149.489**	**4.544**	**11.950**	**484.525**	**1.713.996**

	Thousands of Euros					
		% coverage				
31 December 2019	Gross carrying amount	≤ 40% or without guarantee	> 40% and ≤ 60%	> 60% and ≤ 80%	> 80% and ≤ 100%	> 100%
Deposits in credit institutions	**379.217**	**46.635**	**0**	**0**	**332.582**	**0**
Credit institutions	379.217	46.635	0	0	332.582	0
Loans and advances	**1.659.714**	**213.832**	**5.493**	**14.692**	**63.733**	**1.361.964**
Operations collateralised by immovable property	759.955	277	4.051	11.074	23.525	721.028
Operations collateralised by debt securities/instruments	636.978	31.018	364	3.161	29.974	572.461
Operations collateralised by monetary assets	83.493	3.249	1.078	457	10.234	68.475
Operations with no guarantee and/or personal collateral	179.288	179.288	-	-	-	-
FINANCIAL ASSETS AT AMORTISED COST	**2.038.931**	**260.467**	**5.493**	**14.692**	**396.315**	**1.361.964**

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

At 31 December 2020, as part of the plan for aid and measures to mitigate the effects of COVID-19, the Andorran Government guarantees loans for a value of Euros 14.8 million, of which Euros 11.7 million have been drawn down (included in the Euros 91.2 million of transactions with third party guarantees). In addition, as part of the same plan, there are loans with legal or sector moratoria with outstanding capital of Euros 9 million.

(11) Derivatives - Hedge accounting and Fair value changes

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

	Thousands of Euros	
Derivatives - Hedge accounting and changes in fair value	31/12/2020	31/12/2019
ASSETS	**10.065**	**5.431**
Derivatives - Hedge accounting	4.089	822
Changes in the fair value of hedged items in portfolio hedges of interest risk	5.976	4.609
LIABILITIES	**6.268**	**5.224**
Derivatives - Hedge accounting	6.268	5.224
Changes in the fair value of hedged items in portfolio hedges of interest risk	-	-

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

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

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

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

	Thousands of Euros			
	Carrying amount		Notional amount	
31 December 2020	Assets	Liabilities	Total hedges	Of which: sold
FAIR VALUE HEDGES	-	**6.268**	**183.654**	-
Interest rate	-	**6.251**	**83.654**	-
OTC options	-	-	-	-
OTC other	-	6.251	83.654	-
Organised market options	-	-	-	-
Organised market other	-	-	-	-
Foreign exchange and gold	-	-	-	-
OTC options	-	-	-	-
OTC other	-	-	-	-
Organised market options	-	-	-	-
Organised market other	-	-	-	-
Credit	-	**17**	**100.000**	-
Credit default swap	-	17	100.000	-
Credit spread options	-	-	-	-
Total return swaps	-	-	-	-
Other	-	-	-	-
Commodity	-	-	-	-
Other	-	-	-	-
CASH FLOW HEDGES	**4.089**	-	**162.694**	-
TOTAL DERIVATIVES - HEDGE ACCOUNTING	**4.089**	**6.268**	**346.348**	-
Of which: OTC - Credit institutions	4.089	6.251	246.348	-
Of which: OTC - Other financial corporations	-	-	-	-
Of which: OTC - Other	-	17	100.000	-

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	Thousands of Euros			
	Carrying amount		Notional amount	
31 December 2019	Assets	Liabilities	Total hedges	Of which: sold
FAIR VALUE HEDGES	-	**3.970**	**5.653**	-
Interest rate	-	**3.970**	**5.653**	-
OTC options	-	-	-	-
OTC other	-	3.970	5.653	-
Organised market options	-	-	-	-
Organised market other	-	-	-	-
Foreign exchange and gold	-	-	-	-
OTC options	-	-	-	-
OTC other	-	-	-	-
Organised market options	-	-	-	-
Organised market other	-	-	-	-
Credit	-	-	-	-
Credit default swap	-	-	-	-
Credit spread options	-	-	-	-
Total return swaps	-	-	-	-
Other	-	-	-	-
Commodity	-	-	-	-
Other	-	-	-	-
CASH FLOW HEDGES	**822**	**1.254**	**200.624**	-
TOTAL DERIVATIVES - HEDGE ACCOUNTING	**822**	**5.224**	**206.277**	-
Of which: OTC - Credit institutions	822	5.224	206.277	-
Of which: OTC - Other financial corporations	-	-	-	-
Of which: OTC - Other	-	-	-	-

(12) Investments in subsidiaries, joint ventures and associates

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

2020	Thousands of Euros			
Company name	Investment	Impairment	Cost	**Total**
Medipatrimonia Invest, SL	51,00%	-	2.450	2.450
Sigma M. Partners, LTD	49,78%	-	752	752
Other companies	100,00%	-	41	41
		-	**3.243**	**3.243**

2019	Thousands of Euros			
Company name	Investment	Impairment	Cost	**Total**
Medipatrimonia Invest, SL	51,00%	-	2.000	2.000
Sigma M. Partners, LTD	49,78%	-	862	862
		-	**2.862**	**2.862**

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

(13) Tangible assets

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Tangible assets		
Property, plant and equipment	118.844	137.882
For own use	118.844	137.882
Leased out under operating lease	-	-
Earmarked for social projects (savings bank and credit coopera	-	-
Investment property	12.723	9.105
Of which: Leased out under finance lease	-	-
	131.567	**146.987**

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

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a) Movement in tangible assets

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

	31/12/2019	Additions	Disposals	Transfers to/from non-current assets for sale	Other transfers	Exchange gains/losses	Other movements	31/12/2020
Cost								
FOR OPERATING ACTIVITIES								
Land	-	-	-	-	-	-	-	-
Buildings	11.120	22	(6.308)	-	-	-	-	4.834
Furniture	9.982	97	-	-	-	-	-	10.079
Installations	28.091	3.826	(7.577)	-	-	-	-	24.340
IT equipment	31.997	1.079	(625)	-	2.061	-	-	34.512
Vehicles	1.786	268	(39)	-	-	-	-	2.015
Under construction	1.948	1.136	(564)	-	(2.061)	-	206	665
Rights-of-use	121.007	3.274	(5.576)	-	-	-	-	118.705
Subtotal	205.931	9.702	(20.689)	-	-	-	206	195.150
FOR NON-OPERATING ACTIVITIES								
Land	-	-	-	-	-	-	-	-
Buildings	1.135	-	-	-	-	-	-	1.135
Installations	830	-	-	-	56	-	-	886
IT equipment	104	-	-	-	-	-	-	104
Furniture	36	-	-	-	-	-	-	36
Vehicles	458	-	-	-	(56)	-	-	402
Investment property	9.531	5.213	(1.634)	-	-	-	-	13.110
Subtotal	12.094	5.213	(1.634)	-	-	-	-	15.673
Accumulated depreciation								
FOR OPERATING ACTIVITIES								
Buildings	(5.075)	(181)	1.365	-	-	-	-	(3.891)
Furniture	(8.319)	(160)	-	-	-	-	-	(8.479)
Installations	(16.978)	(1.877)	2.886	-	-	-	-	(15.969)
IT equipment	(25.196)	(949)	468	-	-	-	-	(25.677)
Vehicles	(1.322)	(217)	15	-	-	-	-	(1.524)
Rights-of-use	(12.119)	(12.774)	3.356	-	-	-	-	(21.537)
Subtotal	(69.009)	(16.158)	8.090	-	-	-	-	(77.077)
FOR NON-OPERATING ACTIVITIES								
Buildings	(303)	(47)	-	-	-	-	-	(350)
Installations	(904)	-	-	-	-	-	-	(904)
IT equipment	(103)	-	-	-	-	-	-	(103)
Furniture	(33)	-	-	-	-	-	-	(33)
Operating leases	(260)	(142)	-	-	-	-	-	(402)
Investment property	(426)	(156)	195	-	-	-	-	(387)
Subtotal	(2.029)	(345)	195	-	-	-	-	(2.179)
Net balance	**146.987**	**(1.588)**	**(14.038)**	-	-	-	**206**	**131.567**

	31/12/2018	Additions	Disposals	Transfers to/from non-current assets for sale	Other transfers	Exchange gains/losses	Other movements	31/12/2019
Cost								
FOR OPERATING ACTIVITIES								
Land	1.246	-	(1.558)	-	312	-	-	-
Buildings	13.483	58	(2.109)	-	(312)	-	-	11.120
Furniture	9.972	41	(31)	-	-	-	-	9.982
Installations	25.256	4.596	(1.761)	-	-	-	-	28.091
IT equipment	28.887	1.180	(1.678)	-	3.608	-	-	31.997
Vehicles	2.001	196	(411)	-	-	-	-	1.786
Under construction	1.857	741	-	-	(650)	-	-	1.948
Rights-of-use	-	121.007	-	-	-	-	-	121.007
Subtotal	82.702	127.819	(7.548)	-	2.958	-	-	205.931
FOR NON-OPERATING ACTIVITIES								
Land	-	-	-	-	-	-	-	-
Buildings	1.601	-	(466)	-	-	-	-	1.135
Installations	830	3	(3)	-	-	-	-	830
IT equipment	104	-	-	-	-	-	-	104
Furniture	36	-	-	-	-	-	-	36
Vehicles	458	-	-	-	-	-	-	458
Investment property	6.595	881	(619)	2.674	-	-	-	9.531
Subtotal	9.624	884	(1.088)	2.674	-	-	-	12.094
Accumulated depreciation								
FOR OPERATING ACTIVITIES								
Buildings	(6.168)	(172)	1.265	-	-	-	-	(5.075)
Furniture	(8.210)	(138)	29	-	-	-	-	(8.319)
Installations	(16.880)	(1.904)	1.806	-	-	-	-	(16.978)
IT equipment	(26.426)	(1.025)	2.255	-	-	-	-	(25.196)
Vehicles	(1.284)	(272)	234	-	-	-	-	(1.322)
Rights-of-use	-	(12.119)	-	-	-	-	-	(12.119)
Subtotal	(58.968)	(15.630)	5.589	-	-	-	-	(69.009)
FOR NON-OPERATING ACTIVITIES								
Buildings	(751)	(50)	498	-	-	-	-	(303)
Installations	(900)	(4)	-	-	-	-	-	(904)
IT equipment	(100)	(3)	-	-	-	-	-	(103)
Furniture	(33)	-	-	-	-	-	-	(33)
Operating leases	(260)	-	-	-	-	-	-	(260)
Investment property	(325)	(141)	40	-	-	-	-	(426)
Subtotal	(2.369)	(198)	538	-	-	-	-	(2.029)
Net balance	30.989	112.875	(2.509)	2.674	2.958	-	-	146.987

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

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

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

b) Revalued assets

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

c) Investment property

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

(14) Intangible assets

a) Goodwill

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

	Thousands of Euros				
	31/12/2019	Additions	Exchange gains/losses	Other adjustments	31/12/2020
Cost	159.925	8.748	(10.366)	-	158.307
Accumulated impairment	-	-	-	-	-
	159.925	**8.748**	**(10.366)**	**-**	**158.307**

	Thousands of Euros				
	31/12/2018	Additions	Exchange gains/losses	Other adjustments	31/12/2019
Cost	153.724	6.719	914	(1.432)	159.925
Accumulated impairment	-	-	-	-	-
	153.724	**6.719**	**914**	**(1.432)**	**159.925**

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

	Thousands of Euros	
	2020	2019
Andbank España, SA	96.318	96.318
Andbank Monaco S.A.M.	11.347	11.347
Andbank Wealth Management LLC	1.658	1.817
Banco Andbank (Brasil), S.A	25.771	25.083
Columbus de México, SA de CV	4.480	5.182
Quest Capital Advisers Agente de Valores, SA	11.604	12.912
Sigma Investment House Ltd.	7.129	7.266
Total Goodwill	**158.307**	**159.925**

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

b) Impairment testing

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

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

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

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

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

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

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

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

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

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

The main assumptions used to calculate future distributable dividends are:

(i) projected results, based on the financial budgets approved by the Andbank Group directors, that cover a period of five years (unless there is justification for a longer time horizon).

(ii) discount rates determined as the cost of capital taking into consideration the risk-free rate plus a risk premium in accordance with the market and business in which they operate. This capital discount rate must take into consideration the time value of money, as well as the market risk and other entity-specific risks, and

(iii) constant growth rates to extrapolate results to perpetuity, that do not exceed the medium-long term growth rate for the market in which the CGU in question operates.

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

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

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

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

	2020	
	Ke	**G**
Andbank España, SA	10,30%	3,10%
Andbank Monaco S.A.M.	8,84%	3,00%
Andbank Wealth Management LLC	9,40%	3,00%
Banco Andbank (Brasil), S.A	13,90%	5,50%
Columbus de México, SA de CV	13,40%	5,10%
Quest Capital Advisers Agente de Valores, SA	14,50%	6,40%
Sigma Investment House Ltd.	10,00%	3,50%

Sensitivity analysis

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

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

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c) Other intangible assets

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

At 31 December 2020	Thousands of Euros						
	31/12/2019	Additions	Disposals	Other transfers	Exchange gains/losses	Other movements	31/12/2020
Cost							
IT software and applications	97.772	5.144	(780)	12.349	-	-	114.485
Multi-owned assets	834	-	-	-	-	-	834
Intangible assets in progress	-	-	-	-	-	-	-
Other	101.115	15.512	(2.336)	(12.349)	-	(205)	101.737
	199.721	20.656	(3.116)	-	-	(205)	217.056
Accumulated amortisation							
IT software and applications	(52.817)	(8.385)	941	-	-	-	(60.261)
Multi-owned assets	(694)	(11)	-	-	-	-	(705)
Intangible assets in progress	-	-	-	-	-	-	-
Other	(20.074)	(3.584)	-	-	-	-	(23.658)
	(73.585)	(11.980)	941	-	-	-	(84.624)
Accumulated impairment	(1.842)	(243)	222	-	-	-	(1.863)
Net balance	**124.294**	**8.433**	**(1.953)**	**-**	**-**	**(205)**	**130.569**

At 31 December 2019	Thousands of Euros						
	31/12/2018	Additions	Disposals	Other transfers	Exchange gains/losses	Other movements	31/12/2019
Cost							
IT software and applications	75.266	5.583	(234)	17.157	-	-	97.772
Multi-owned assets	834	-	-	-	-	-	834
Intangible assets in progress	-	-	-	-	-	-	-
Other	95.038	26.536	(344)	(20.115)	-	-	101.115
	171.138	32.119	(578)	(2.958)	-	-	199.721
Accumulated amortisation							
IT software and applications	(46.265)	(6.767)	215	-	-	-	(52.817)
Multi-owned assets	(683)	(11)	-	-	-	-	(694)
Intangible assets in progress	-	-	-	-	-	-	-
Other	(18.276)	(1.141)	-	-	-	(657)	(20.074)
	(65.224)	(7.919)	215	-	-	(657)	(73.585)
Accumulated impairment	(1.672)	-	-	-	-	(170)	(1.842)
Net balance	**104.242**	**24.200**	**(363)**	**(2.958)**	**-**	**(827)**	**124.294**

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

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

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

(15) Tax assets and liabilities

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Tax assets		
Current tax assets	7.102	5.446
Deferred tax assets	18.179	22.480
	25.281	**27.926**
Tax liabilities		
Current tax liabilities	4.088	4.056
Deferred tax liabilities	9.159	10.576
	13.247	**14.632**

(16) Other assets and liabilities

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Other assets		
Inventories	14	14
Other assets	77.197	121.722
Prepayments and accrued income	32.976	43.175
Operations in progress	10.610	33.337
Other items	33.611	45.210
	77.211	**121.736**

	Thousands of Euros	
	31/12/2020	31/12/2019
Other liabilities		
Other liabilities	84.657	78.654
Accrued expenses and deferred income	13.313	10.854
Operations in progress	13.832	2.236
Other items	57.512	65.564
	84.657	**78.654**

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

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

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

At 31 December 2020

	Thousands of Euros						
	31/12/2019	Additions	Disposals	Transfers to investment property	Revaluation reserves	Other	31/12/2020
Cost							
Property, plant and equipment							
From foreclosures	49.772	817	(10.527)	-	-	-	40.062
Other	-	-	-	-	-	-	-
	49.772	817	(10.527)	-	-	-	40.062
Impairment losses							
Property, plant and equipment							
From foreclosures	(22.930)	(388)	1.708	-	-	-	(21.610)
Other	(2.168)	(3)	3.975	-	(241)	-	1.563
	(25.098)	(391)	5.683	-	(241)	-	(20.047)
Net balance	**24.674**	**426**	**(4.844)**	**-**	**(241)**	**-**	**20.015**

At 31 December 2019

	Thousands of Euros						
	31/12/2018	Additions	Disposals	Transfers to investment property	Revaluation reserves	Other	31/12/2019
Cost							
Property, plant and equipment							
From foreclosures	59.211	6.044	(16.001)	(4.762)	-	5.280	49.772
Other	-	-	-	-	-	-	-
	59.211	6.044	(16.001)	(4.762)	-	5.280	49.772
Impairment losses							
Property, plant and equipment							
From foreclosures	(24.071)	(2.390)	6.723	2.088	-	(5.280)	(22.930)
Other	(1.845)	-	-	-	(323)	-	(2.168)
	(25.916)	(2.390)	6.723	2.088	(323)	(5.280)	(25.098)
Net balance	**33.295**	**3.654**	**(9.278)**	**(2.674)**	**(323)**	-	**24.674**

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Land	36.094	37.669
Premises	1.165	1.076
Car parks	1.583	1.906
Storage rooms	119	142
Housing	10.341	17.570
	49.302	**58.363**

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

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

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

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

- INTERVALOR
- PERITAND
- PERITAXA
- TECNITASA

- VICTOR NAUDI
- AS08

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

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

Foreclosures and recoveries

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Up to 12 months	322	2.157
From 1 to 2 years	227	857
From 2 to 5 years	8.293	10.562
More than 5 years	11.173	11.098
	20.015	**24.674**

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

	Thousands of Euros			
	2020		2019	
	Profits	Losses	Profits	Losses
Apartments	1.318	(110)	2.291	(579)
Car parks	32	-	10	(11)
Premises	-	-	82	-
Land	250	-	125	-
Adjustments due to depreciation	-	-	-	(323)
	1.600	**(110)**	**2.508**	**(913)**

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

(18) Financial liabilities measured at amortised cost

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Deposits	3.997.436	3.282.533
Central banks	168.747	76.407
Credit institutions	439.580	369.962
Other creditors	3.389.109	2.836.164
Debt securities issued	374.135	458.060
Other financial liabilities	117.388	118.254
	4.488.959	**3.858.847**

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

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

a) Deposits

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Central banks	168.747	76.407
Current accounts/overnight deposits	53.377	48.532
Deposits with agreed maturity	115.370	27.875
Deposits redeemable at notice	-	-
Repurchase agreements	-	-
Credit institutions	439.580	369.962
Current accounts/overnight deposits	30.498	36.115
Deposits with agreed maturity	68.118	22.322
Deposits redeemable at notice	-	-
Repurchase agreements	340.964	311.525
Other creditors	3.389.109	2.836.164
Current accounts/overnight deposits	3.171.081	2.443.411
Deposits with agreed maturity	218.028	392.753
Deposits redeemable at notice	-	-
Repurchase agreements	-	-
	3.997.436	**3.282.533**

b) Debt securities

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

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

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

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

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

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

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

31 December 2020	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
Debt securities issued in 2013	-	-	-	5.453	-	-	5.453
Debt securities issued in 2016	-	-	18.135	-	25.000	-	43.135
Debt securities issued in 2017	813	-	-	135.850	39.083	-	175.746
Debt securities issued in 2018	14.042	5.518	34.020	15.082	-	-	68.662
Debt securities issued in 2019	-	430	760	30.500	-	-	31.690
Debt securities issued in 2020	-	659	12.732	20.495	-		33.886
	14.855	**6.607**	**65.647**	**207.380**	**64.083**	**-**	**358.572**

31 December 2019	Up to 1 month	From 1 to 3 months	months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
Debt securities issued in 2013	-	-	16.216	7.673	-	-	23.889
Debt securities issued in 2015	-	-	30.000	-	-	-	30.000
Debt securities issued in 2016	-	-	-	18.917	25.000	-	43.917
Debt securities issued in 2017	-	-	25.833	145.887	39.083	-	210.803
Debt securities issued in 2018	-	-	14.907	74.385	-	-	89.292
Debt securities issued in 2019	-	-	2.000	42.429	-	-	44.429
	-	**-**	**88.956**	**289.291**	**64.083**	**-**	**442.330**

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

c) Other financial liabilities

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Lease liabilities	100.849	110.715
Bonds payable	8.033	3.427
Guarantees received	115	-
Clearing houses	7.489	21
Deposit accounts	-	-
Special accounts	-	-
Financial guarantees	13	9
Other items	889	4.082
	117.388	**118.254**

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

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

31/12/2020	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Maturities of lease liabilities	8.500	17.996	15.017	59.336	100.849

31/12/2019	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Maturities of lease liabilities	10.634	17.033	17.383	65.665	110.715

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(19) Provisions

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Pensions and other benefit obligations and other long-term employee benefits	4.670	5.754
Other long-term employee benefits	-	-
Pending legal issues and tax litigation	570	3.507
Commitments and guarantees given	365	496
Other provisions	13.392	12.983
	18.997	**22.740**

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

	Thousands of Euros						
	Pensions and other benefit obligations and other long-term employee benefits	Other long-term employee benefits	Restructuring	Pending legal issues and tax litigation	Commitments and guarantees given	Other provisions	**Total**
Balance at 1 January 2020	5.755	-	-	3.507	495	12.983	22.740
Net provisions	369			272	(16)	248	873
Amounts used	(904)	-	-	(3.209)	(1)	(574)	(4.688)
Other movements	(550)	-	-	-	(113)	735	72
Balance at 31 December 2020	4.670	-	-	570	365	13.392	18.997

	Thousands of Euros						
	Pensions and other benefit obligations and other long-term employee benefits	Other long-term employee benefits	Restructuring	Pending legal issues and tax litigation	Commitments and guarantees given	Other provisions	**Total**
Balance at 1 January 2019	6.701	-	-	1.850	387	8.541	17.479
Net provisions	163	-	-	225	58	3.034	3.480
Amounts used	(1.109)	-	-	-	-	-	(1.109)
Other movements	-	-	-	1.432	50	1.408	2.890
Balance at 31 December 2019	5.755	-	-	3.507	495	12.983	22.740

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

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

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

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

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

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

	Retirees	Early retirees
Mortality tables	PERmf2000	PERmf2000
Nominal discount rate	0,26%	0,26%
Nominal rate of salary growth	-	-
Annual rate of pension growth	-	-
Retirement age	-	65

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

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

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

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

b) Other provisions

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

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

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(20) Capital and Reserves

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

a) Capital

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

All of the Andbank Group's shares have the same voting and economic rights and there are no different voting rights for each shareholder. There are no shares representing capital. Shares are not listed on organised markets.

b) Share premium, retained earnings, revaluation reserves and other reserves

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Share premium	73.441	73.441
Retained earnings	**455.963**	**427.156**
Legal reserve	15.768	15.768
Guarantee reserves	27.026	27.026
Statutory reserves	-	-
Voluntary reserves	411.242	382.435
Own share reserves	1.927	1.927
Revaluation reserves	-	-
	529.404	**500.597**

- Share premium

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

- Legal reserve

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

- Guarantee reserves

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

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

- Voluntary reserves

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

- Revaluation reserves

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

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

- Consolidation reserves

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Andorra Gestió Agrícol Reig, SAU.	2.588	186
Andorra Assegurances Agrícol Reig, SA	547	471
Grup Nobilitas N.V.	324	(1.735)
Andbank Bahamas (Limited)	74	13.999
Grup Andbank Luxembourg	12.245	10.436
Grup Andbank Espanya	17.318	8.213
Quest Wealth Advisers, Inc (Panamà)	7.879	9.030
APW Consultores Financeiros Lda	15	141
Andbank Monaco S.A.M.	2.275	6.138
Banco Andbank (Brasil) S.A.	(1.467)	(1.200)
Grup Sigma Investment House	(919)	(931)
Other	161	(220)
	41.040	**44.528**

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

	Thousands of Euros
Balance at 31 December 2018	46.743
Distribution of 2018 profit to reserves	10.423
Other consolidation adjustments	(12.638)
Balance at 31 December 2019	**44.528**
Distribution of 2019 profit to reserves	(2.686)
Other consolidation adjustments	(802)
Balance at 31 December 2020	**41.040**

- Other reserves

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

- Equity instruments issued other than capital

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

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

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

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

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

c) Profits/losses attributable to the Andbank Group

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Andorra Banc Agrícol Reig, SA	**15.070**	**30.726**
Fully consolidated companies:	**16.407**	**13.871**
Andorra Gestió Agrícol Reig, SA	1.150	1.741
Andbank Bahamas (Limited)	(157)	(1.176)
Nobilitas N.V. Group	1.762	2.413
Columbus de México, SA, CV	902	830
And Private Wealth, SA	231	(128)
Quest Capital Advisers	576	635
Andbanc Wealth Management LLC Grupo	503	1.345
Ajustes de Consolidación Grupo Nobilitas	(450)	(269)
Andbank Luxembourg Group	1.003	(191)
Andbank (Luxembourg) SA	703	1.429
Andbank Asset Management Luxembourg, SA	752	428
Ajustes de Consolidación Grupo Andbank Lux.	(452)	(2.048)
Andbank España Group	12.007	10.898
Andbank España, SA	7.613	5.183
Andbank Wealth Mangament,SGIIC, SAU	3.206	5.762
Medipatrimonia Invest, SL	376	-
APC SSAA	30	26
Andbank correduria de Seguros, SL	(25)	220
Merchbanc, SGIIC, SAU	-	561
Merchbanc, EGPF, SA	182	(60)
Merchbanc, Internacional SARL	(77)	68
MyInvestor, SLU	1.047	-
Consolidation adjustments Andbank España Group	(345)	(862)
Quest Wealth Advisers, Inc (Panamà)	(587)	(662)
APW Consultores Financeiros Ltda.	11	(132)
Andbank Monaco, SAM	968	838
Banco Andbank Brasil Ltda.	(927)	111
Andorra Assegurances Agrícol Reig, SA	223	177
Other	954	(146)
Consolidation adjustments	**(2.007)**	**(16.557)**
	29.470	**28.040**

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(21) Accumulated other comprehensive income - Equity

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Items that will not be reclassified to profit or loss	84	307
Tangible assets	-	-
Intangible assets	-	-
Actuarial gains or losses on defined benefit pension plans	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	84	307
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-
Items that may be reclassified to profit or loss	(38.428)	(20.193)
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	(39.513)	(16.853)
Hedging derivatives Cash flow hedges (effective portion)	(588)	(3.139)
Fair value changes of debt instruments measured at fair value through other comprehensive income	1.673	(201)
Hedging instruments (not designated elements)	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-
	(38.344)	**(19.887)**
Income tax relating to items that will not be reclassified to profit or loss	(9)	(31)
Income tax relating to items that may be reclassified to profit or loss	3.842	2.019
	(34.511)	**(17.898)**

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

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

(22) Off-balance sheet exposures

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

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Loan commitments given	**357.725**	**352.110**
Of which: Non-performing:	2.825	11
Central banks	-	-
General governments	25.923	3.474
Credit institutions	-	-
Other financial corporations	24.287	11.672
Non-financial corporations	192.882	236.459
Of which SMEs		125.490
Households	114.633	100.505
Financial guarantees given	**71.327**	**63.824**
Of which: Non-performing:	-	-
Central banks	-	-
General governments	71	71
Credit institutions	6.557	6.542
Other financial corporations	4.574	4.851
Non-financial corporations	35.204	33.702
Of which SMEs	-	13.470
Households	24.921	18.658
Other commitments given	**16.648**	**13.060**
Of which: Non-performing:	-	-
Central banks	-	-
General governments	-	-
Credit institutions	602	2.405
Other financial corporations	6.764	6.310
Non-financial corporations	7.353	3.723
Of which SMEs	-	-
Households	1.929	622

	Thousands of Euros	
	31/12/2020	31/12/2019
	Maximum amount of guarantee	Maximum amount of guarantee
Financial guarantees received	**370.296**	**364.009**
Central banks	-	-
General governments	18.537	3.830
Credit institutions	500	-
Financial corporations	70	76
Other non-financial companies	20.687	50.050
Of which SMEs	-	14.601
Households	330.502	310.053

(23) Third party transactions

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Shares and other variable-income securities	3.091.939	2.815.751
Bonds and other fixed-income securities	2.285.827	2.611.779
Units in investment funds not managed by the Group	7.719.413	6.172.346
Units in investment funds managed by the Group	93.753	101.044
Other	8.608	6.839
	13.199.540	**11.707.759**

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

	Thousands of Euros			Thousands of Euros		
	31/12/2020			31/12/2019		
	Held in custody / deposited by the Bank	Held in custody /deposited by third parties	Total	Held in custody / deposited by the Bank	Held in custody /deposited by third parties	Total
Collective investment undertakings	1.198.865	992.001	2.190.866	1.184.876	1.094.112	2.278.988
Individual customer portfolio managed discretionally	1.952.213	7.900.685	9.852.898	1.704.857	7.780.802	9.485.659
Other individual customers	13.258.751	-	13.258.751	12.058.115	17.933	12.076.048
	16.409.829	8.892.686	25.302.515	14.947.848	8.892.847	23.840.695

(24) Interest income and expenses

a) Interest income

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

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Financial assets held for trading	1.692	5.849
Of which: Trading derivatives	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	-
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	4.358	5.418
Financial assets at amortised cost	35.799	38.011
Of which: Debt securities	4.448	-
Of which: Loans and advances	31.351	25.662
Derivatives - Hedge accounting, interest rate risk	14	-
Other assets	3	-
	41.866	**49.278**

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b) Interest expenses

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

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Financial liabilities held for trading	-	-
Of which: Trading derivatives	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost	18.649	29.567
Of which: deposits	12.561	18.307
Of which: Debt securities issued	6.088	11.260
Other liabilities	1.732	1.910
Interest expense on assets	-	-
Derivatives - hedge accounting, interest rate risk	201	-
	20.582	**31.477**

(25) Dividend income

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

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

(26) Fee and commission income

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

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Fee and commission income		
Fees and commission on services	7.420	5.755
Income from services	13.261	11.387
Fees and commission on giros	1.075	935
Fees and commission on safe deposit rental	259	493
Fees and commission on credit cards	1.542	1.919
Fees and commission on account maintenance	7.608	5.596
Other	2.777	2.444
Surety bonds	664	573
Fees and commission on transferable securities	160.701	157.385
Stock exchange transactions on behalf of customers	57.896	51.586
Securities depositary management	19.776	19.056
Financial transactions	83.029	86.743
	182.046	175.100

(27) Fee and commission expenses

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

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Fee and commission expenses		
Securities deposits	894	964
Fees and commission on credit cards	1.274	1.236
Swift expenses	311	235
Representation expenses	51.424	41.255
Other	3.855	4.001
	57.758	47.691

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(28) Gains or losses on financial assets and liabilities

This note includes Gains or losses derecognised in financial assets and liabilities not measured at fair value through profit or loss, net; Gains or losses on financial assets and liabilities held for trading, net; Gains or losses on non-trading financial assets mandatorily through profit or loss, net; Gains or losses on financial assets designated at fair value through profit or loss, net; and Gains or losses from hedge accounting, net.

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Gains or losses on financial assets and liabilities		
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**6.926**	**17.161**
Financial assets at fair value through other comprehensive income	6.926	11.368
Financial assets at amortised cost	-	5.793
Financial liabilities measured at amortised cost	-	-
Other	-	-
Gains or losses on financial assets and liabilities held for trading, net	**48.571**	**36.294**
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**3.075**	**2.008**
Gains or losses on financial assets designated at fair value through profit or loss, net	**104**	**-**
Gains or losses from hedge accounting, net	**(270)**	**(228)**
	58.406	**55.235**

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Gains or losses on financial assets and liabilities held for trading, net		
Derivatives	10.999	(422)
Equity instruments	(839)	7.037
Debt securities	38.411	29.679
	48.571	**36.294**

(29) Exchange differences, net

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

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

(30) Other operating income/expenses

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

	Thousands of Euros			
	31/12/2020		31/12/2019	
Other operating income and other operating expenses	Income	Expenses	Income	Expenses
Changes in fair value of tangible assets measured using the fair value model	-	-	-	-
Investment property	120	-	132	-
Operating leases other than investment property	707	-	950	-
Other	7.899	(6.278)	4.694	(5.207)
	8.726	**(6.278)**	**5.776**	**(5.207)**

(31) Administrative expenses

a) Staff expenses

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

	Thousands of Euros	
Staff expenses	31/12/2020	31/12/2019
Salaries and bonuses to current employees	77.174	78.034
Social Security contributions	13.307	13.301
Other salary commitments	650	635
Severance payments	1.844	2.218
Other staff expenses	6.297	8.785
	99.272	**102.973**

b) Other administrative expenses

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

	Thousands of Euros	
Other administrative expenses	31/12/2020	31/12/2019
Furniture, fittings and materials	2.131	1.655
Utilities	856	946
IT and communications	21.294	15.231
Publicity and advertising	3.306	3.664
Security and fund courier services	439	390
Insurance and self-insurance premiums	829	778
Independent professional services	14.472	15.811
Repairs and maintenance	1.581	1.496
Administration	4.538	4.236
Other	3.134	3.265
	52.580	**47.472**

(32) Provisions or reversals of provisions

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Provisions or reversals of provisions		
Pensions and other post employment defined benefit obligations and other long-term employee benefits	(369)	(162)
Pending legal issues and tax litigation	(272)	(225)
Commitments and guarantees given	16	(58)
Other provisions	(248)	(3.034)
	(873)	**(3.479)**

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

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

	Thousands of Euros		
31 December 2020	Gains	(Losses)	Total net of gains and losses
Financial assets carried at cost	-	-	-
Financial assets at fair value through other comprehensive income	-	(84)	(84)
Financial assets at amortised cost	7.824	(7.058)	766
	7.824	**(7.142)**	**682**

	Thousands of Euros		
31 December 2019	Gains	(Losses)	Total net of gains and losses
Financial assets carried at cost	-	-	-
Financial assets at fair value through other comprehensive income	-	(42)	(42)
Financial assets at amortised cost	3.903	(2.420)	1.483
	3.903	**(2.462)**	**1.441**

(34) Impairment or reversal of impairment on non-financial assets

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

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

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

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Net gains on sale of buildings	1.600	1.918
Impairment of non-current assets held for sale	(110)	(323)
Gains (losses) on sale of investments classified as non-current assets held for sale	-	-
Gains (losses) on sale of other equity instruments classified as non-current assets held for sale	-	-
	1.490	**1.595**

(36) Balances and transactions with related parties

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

a) Transactions with related entities and individuals

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

	Thousands of Euros	
	Outstanding balances	
2020	Key management personnel of the Bank or its Parent	Other related parties
Selection of financial assets	855	72.022
Equity instruments	-	-
Debt securities	-	-
Loans and advances	855	72.022
Of which: financial assets subject to impairment	-	16
Selection of financial liabilities	4.534	24.575
Deposits	4.434	24.175
Debt securities issued	100	400
Nominal amount of loan, financial guarantee and other commitments given	34	9.027
Notional amount of derivatives	-	-
Income statement	37	1.288
Finance income	8	885
Finance costs	-	-
Fee and commission income	28	144
Fee and commission expenses	-	-
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	1	259
Memorandum items	14.077	122.072
Security deposits and other securities held in custody	14.077	122.072

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	Thousands of Euros	
	Outstanding balances	
2019	Key management personnel of the Bank or its Parent	Other related parties
Selection of financial assets	974	96.580
Equity instruments	-	-
Debt securities	-	-
Loans and advances	974	96.580
Of which: financial assets subject to impairment	-	14
Selection of financial liabilities	4.470	32.742
Deposits	4.370	32.742
Debt securities issued	100	-
Nominal amount of loan, financial guarantee and other commitments given	44	9.308
Notional amount of derivatives	129	-
Income statement	22	1.078
Finance income	4	909
Finance costs	-	(4)
Fee and commission income	18	174
Fee and commission expenses	-	-
Memorandum items	10.159	114.398
Security deposits and other securities held in custody	10.159	114.398

b) Remuneration of key management personnel of the Bank

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

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

	Thousands of Euros	
	2020	2019
Remuneration		
Fixed remuneration	4.140	4.083
Variable and deferred remuneration	1.747	1.806
Other staff expenses	216	225
Total	**6.103**	**6.114**

(37) Taxation

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

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Current income tax for the year	(1.134)	(2.372)
Deferred tax income	-	-
Income tax adjustments	639	207
Local income tax	(495)	(2.165)
Foreign income tax	(5.417)	(2.978)
Total	(5.912)	(5.143)

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Accounting profit before tax	16.938	34.804
Permanent differences	2.778	(1.491)
originating in the year	2.778	(1.491)
originating in prior years	-	-
Accounting income	19.716	33.313
Tax rate of 10%	1.972	3.331
Tax payable	1.972	3.331
Deductions and credits	(838)	(959)
Income tax expense for the year	1.134	2.372

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Income and expenses for the year	16.938	34.804
10% of the income and expenses balance for the year	1.694	3.480
Tax effect of permanent differences	278	(149)
Deductions and credits for the current year	(838)	(959)
Income tax expense	1.134	2.372

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Notes to the Consolidated Financial Statements

(Free translation from the original in Catalan. In the event of discrepancy, the Catalan-language version prevails.)

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

	Deferred tax assets		Deferred tax liabilities	
	2020	2019	2020	2019
Opening balance	11.574	15.914	31	15
Increases (*)	265	4.135	646	16
Decreases	(1.276)	(8.475)	-	-
Closing balance	10.563	11.574	677	31

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

	Thousands of Euros	
	31/12/2020	31/12/2019
Deferred tax assets		
Differences due to temporary charging of income and expenses		
Provisions and other impairment	2.935	3.213
Other	782	239
Other assets	6.846	8.122
	10.563	11.574
Deferred tax liabilities		
Other	677	31

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

(38) Risk management

a) General model for risk management and control

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

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

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

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

The main items ensuring effective control are:

- A robust risk governance structure led by the Risks Committee, which acts as an advisor to the board of directors with regard to risk exposure. This Committee has two specialised advisors in charge of guaranteeing compliance with regulations and conformity with the best international standards with regard to risk control and management.
- The corporate risk and capital policy framework sets out the basic principles for the management of all risks to which the Bank is exposed. This framework enables a homogeneous risk control and management model to be set up in all of the Andbank Group's subsidiaries, in line with its global strategy.
- Independence of the risk function guaranteeing the separation between the risk generating units and those responsible for controlling these risks.
- Aggregated supervision and consolidation of all the risks.
- A risk culture integrated throughout the organisation, comprising a series of attitudes, values, skills and measures in view of all risks.

b) Capital management

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

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

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

	Law 35/2018
CET1 ratio	13,56%
TIER1 ratio	16,02%
Total capital ratio	16,02%

c) Credit risk

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

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

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

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

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

(i) Credit risk cycle

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

- Analysis and admission of transactions:

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

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

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

  This analysis and admission process comprises three phases:

  - Proposal: the manager presents the transaction with an analysis of the customer's credit quality, its positions, solvency and yield based on the assumed risk.
  - Analysis of transaction: the credit risk department analyses the details of the proposal, validating that the information relating to the transactions exists in documentary form, as well as the quality and accessibility of the information required for subsequent approval.
  - Approval of the transaction: once the transaction has been analysed, the credit risk department approves it taking into account not only the granting policies defined but also the risk appetite limits, whilst striving to keep a balance between risk and yield.
  - Communication: the admission process concludes with the issue and signing of a document and its subsequent reporting to the involved parties so that it can be correctly registered in the systems.

- Monitoring:

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

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

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

- Recoveries:

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

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

(ii) Credit risk impairment

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

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

Accounting classification based on credit risk due to insolvency

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

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

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

- Standard exposure with significant increase in risk or Stage 2: this category comprises all transactions which, without qualifying individually for classification as Stage 3 or write-off, have shown significant increases in credit risk since initial recognition. This category includes transactions for which there are amounts more than 30 days past due. Refinanced and restructured transactions, classified in this category, are transferred to a lower risk category when they meet the requirements established for this reclassification. Transactions classified as standard under special monitoring (Stage 2), due to significant increases in risk or as a result of amounts more than 30 days past due, are reclassified in the standard exposure category (Stage 1) once the six-month trial period has elapsed, based on the probability of entering the standard exposure under special monitoring category.
- Doubtful or Stage 3: comprises debt instruments, either past due or not, for which without meeting the circumstances to be classified under write-off show reasonable doubts regarding their full repayment (principal and interest) by the borrower, as well as off-balance sheet exposures, payment of which by the Andbank Group is probable and their recovery doubtful.
  - Due to customer arrears: transactions with an amount (principal, interest or contractually agreed expenses), generally more than 90 days past due (although the particular nature of the purchased or originated credit-impaired transactions are taken into consideration), unless they should be classified as write-off. This category also includes the collateral given when the borrower defaults on the secured transaction. Likewise, amounts of all transactions of a borrower are included when transactions with amounts generally past due, as indicated above, by more than 90 days exceed 20% of the amounts receivable.
  - For reasons other than customer arrears: transactions which, without meeting the conditions for being classified as write-off or stage 3 due to customer arrears, show reasonable doubts about the obtaining of estimated cash flows, as well as off-balance sheet exposures not classified in Stage 3 due to customer arrears, payment of which by the Andbank Group is probable and their recovery doubtful.

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

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

(iii) Estimated hedging of credit risk losses

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

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

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

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

(iv) Credit risk mitigation

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

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

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

Maximum exposure to credit risk

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

Maximum exposure to credit risk	31/12/2020	31/12/2019
Financial assets held for trading	**189.958**	**174.198**
Derivatives	108.897	76.796
Equity instruments	2.034	7.351
Debt securities	79.027	90.051
Loans and advances	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	**8.990**	**10.073**
Equity instruments	8.990	10.073
Debt securities	-	-
Loans and advances	-	-
Financial assets designated at fair value through profit or loss	**13.619**	-
Equity instruments	-	-
Debt securities	13.619	-
Loans and advances	-	-
Financial assets at fair value through other comprehensive income	**318.276**	**514.318**
Equity instruments	13.880	23.560
Debt securities	304.396	490.758
Loans and advances	-	-
Financial assets at amortised cost	**2.834.770**	**2.185.554**
Debt securities	514.095	195.424
Loans and advances	2.320.675	1.990.130
Derivatives - Hedge accounting	**4.089**	**822**
Total exposure for financial assets	**3.369.702**	**2.884.965**
Loan commitments given	357.725	352.110
Financial guarantees given	71.327	63.824
Other commitments and other guarantees given	16.648	13.060
Total commitments and guarantees given	**445.700**	**428.994**
Total maximum exposure to credit risk	**3.815.402**	**3.313.959**

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

- In the case of financial assets recognised in the consolidated statements of financial position, it is considered that the exposure to credit risk is equal to their carrying amount, without considering impairment losses, with the sole exception of trading and hedging derivatives.
- It is considered that the maximum exposure to credit risk for financial guarantees given is the highest amount that the Andbank Group would have to pay if the guarantee were executed, which corresponds to its carrying amount.
- The maximum exposure to credit risk for derivatives is based on their market value and their potential risk. Market value reflects the difference between the original commitments and the mark-to-market value at the date of the financial statements. As indicated in note 3, in accordance with IFRS 9, derivatives are recognised at each reporting date at their fair value. On the other hand, the potential risk is an estimate of the maximum expected rise of the exposure to risk through a derivative marked to market, with a statistical confidence level, as a result of future changes in the valuation prices in the residual term until the maturity of the transaction.

Credit quality of financial assets

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

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

	31/12/2020	31/12/2019
Rating		
AAA	52.060	146.623
AA+	-	843
AA	60.220	2.596
AA-	40.130	6.241
Aa3	-	-
A+	95.239	95.547
A	92.547	58.763
A-	239.042	159.489
BBB+	196.477	138.247
BBB	102.612	145.856
BBB-	15.108	4.455
BB+	379	-
BB	918	65
BB-	15.209	14.818
B+	2	-
B	-	-
B-	-	26
CCC+	-	-
CCC	-	-
CCC-	-	-
CC	-	-
C	-	-
DDD	-	-
DD	-	-
D	586	42
Not applicable	608	2.222

Non-past-due risks, past-due but not impaired risks and doubtful or impaired risks

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

	Gross carrying amount / Nominal amount									
		Non-doubtful			Doubtful					
31 December 2020			Not past due or past due <= 30 days	Past due >30 days <= 90 days		Payment improbable not past due or past due <= 90 days	Past due >90 days <= 180 days	Past due > 180 days <= 1 year	Past due >1 year <=5 years	Past due > 5 years
Loans and advances	**1.942.347**	**1.882.112**	**1.874.891**	**7.221**	**60.235**	**30.623**	**474**	**3.944**	**17.924**	**7.270**
Central banks	-	-		-	-	-	-	-	-	-
General governments	30.617	30.617	30.617	-	-	-	-	-	-	-
Credit institutions	28	28	28	-	-	-	-	-	-	-
Other financial corporations	33.674	33.490	33.490	-	184	-	5	-	179	-
Other non-financial corporations	773.611	732.240	731.959	281	41.371	29.297	73	670	9.644	1.687
Of which: small and medium-sized enterprises	*704.384*	*667.413*	*667.381*	*32*	*36.971*	*29.296*	*72*	*670*	*5.246*	*1.687*
Of which: secured by commercial real estate	*215.527*	*187.202*	*187.202*	*-*	*28.325*	*26.529*	*-*	*238*	*1.451*	*107*
Households	1.104.417	1.085.737	1.078.797	6.940	18.680	1.326	396	3.274	8.101	5.583
Of which: secured by residential real estate	*622.305*	*612.600*	*610.761*	*1.839*	*9.705*	*416*	*199*	*1.878*	*2.680*	*4.532*
Of which: credit for consumption	*254.994*	*247.101*	*244.696*	*2.405*	*7.893*	*548*	*177*	*837*	*5.280*	*1.051*

	Gross carrying amount / Nominal amount									
		Non-doubtful			Doubtful					
31 December 2019			Not past due or past due <= 30 days	Past due >30 days <= 90 days		Payment improbable not past due or past due <= 90 days	Past due >90 days <= 180 days	Past due > 180 days <= 1 year	Past due >1 year <=5 years	Past due > 5 years
Loans and advances	**1.659.714**	**1.612.445**	**1.603.901**	**8.544**	**47.269**	**11.624**	**7.926**	**2.801**	**16.406**	**8.512**
Central banks	-	-	-	-	-	-	-	-	-	-
General governments	45.287	45.287	45.287	-	-	-	-	-	-	-
Credit institutions	73	73	73	-	-	-	-	-	-	-
Other financial corporations	57.988	57.804	57.647	157	184	-	1	1	182	-
Other non-financial corporations	701.152	672.138	668.150	3.988	29.014	10.975	6.240	770	8.336	2.693
Of which: small and medium-sized enterprises	*644.285*	*620.235*	*616.266*	*3.969*	*24.050*	*6.220*	*6.035*	*770*	*8.332*	*2.693*
Of which: secured by commercial real estate	*211.754*	*197.489*	*197.489*	-	*14.265*	*4.554*	*1.478*	*247*	*7.670*	*316*
Households	855.214	837.143	832.744	4.399	18.071	649	1.685	2.030	7.888	5.819
Of which: secured by residential real estate	*424.248*	*413.010*	*410.221*	*2.789*	*11.238*	*367*	*1.338*	*923*	*3.878*	*4.732*
Of which: credit for consumption	*241.128*	*235.132*	*233.551*	*1.581*	*5.996*	*143*	*337*	*524*	*3.905*	*1.087*

31 December 2020	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Non-doubtful exposure - Accumulated impairment and provisions	Doubtful exposure - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Payment improbable not past due or past due <= 90 days	Past due > 90 days <=180 days	Past due >180 days <=1 year	Past due > 1 year <= 5 years	Past due >5 years
Loans and advances	**(43.829)**	**(28.195)**	**(15.634)**	**(4.738)**	**(215)**	**(1.716)**	**(4.792)**	**(4.173)**
Central banks	-	-	-	-	-	-	-	-
General governments	(153)	(153)	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	(35)	(9)	(26)	-	-	(1)	(25)	-
Other non-financial corporations	(26.830)	(20.111)	(6.719)	(4.323)	(53)	(412)	(1.090)	(841)
Of which: small and medium-sized enterprises	*(26.321)*	*(19.999)*	*(6.322)*	*(4.323)*	*(53)*	*(412)*	*(693)*	*(841)*
Of which: secured by commercial real estate	*(21.115)*	*(16.871)*	*(4.244)*	*(3.934)*	-	-	*(249)*	*(61)*
Households	(16.811)	(7.922)	(8.889)	(415)	(162)	(1.303)	(3.677)	(3.332)
Of which: secured by residential real estate	*(8.627)*	*(4.305)*	*(4.322)*	-	*(37)*	*(663)*	*(975)*	*(2.647)*
Of which: credit for consumption	*(4.756)*	*(481)*	*(4.275)*	*(348)*	*(116)*	*(563)*	*(2.562)*	*(686)*

31 December 2019	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							
			Doubtful exposure - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Non-doubtful exposure - Accumulated impairment and provisions		Payment improbable not past due or past due <= 90 days	Past due > 90 days <=180 days	Past due >180 days <=1 year	Past due > 1 year <= 5 years	Past due >5 years
Loans and advances	**(48.801)**	**(33.460)**	**(15.341)**	**(1.093)**	**(1.524)**	**(1.148)**	**(6.110)**	**(5.466)**
Central banks	-	-	-	-	-	-	-	-
General governments	(226)	(226)	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	(92)	(13)	(79)	-	-	(1)	(78)	-
Other non-financial corporations	(29.855)	(24.127)	(5.728)	(893)	(740)	(349)	(2.205)	(1.541)
Of which: small and medium-sized enterprises	*(28.937)*	*(24.005)*	*(4.932)*	*(306)*	*(535)*	*(348)*	*(2.202)*	*(1.541)*
Of which: secured by commercial real estate	*(23.474)*	*(20.899)*	*(2.575)*	*(537)*	*(249)*	-	*(1.609)*	*(180)*
Households	(18.628)	(9.094)	(9.534)	(200)	(784)	(798)	(3.827)	(3.925)
Of which: secured by residential real estate	*(6.582)*	*(822)*	*(5.760)*	*(96)*	*(569)*	*(298)*	*(1.690)*	*(3.107)*
Of which: credit for consumption	*(3.675)*	*(410)*	*(3.265)*	*(102)*	*(209)*	*(400)*	*(1.737)*	*(817)*

Impairment losses

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

31 December 2020	Opening balance	Increases due to origin and acquisition	Decrease due to disposals	Changes due to modification in credit risk (net)	Changes due to modifications without derecognition (net)	Decreases due to adjustments to the value of derecognised write-offs	Other adjustments	Closing balance
Provisions for financial assets without increase in credit risk since initial recognition (Stage 1)	**(1.566)**	**(1.102)**	**703**	**427**	-	-	-	**(1.538)**
Debt securities	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-
Loans and advances	**(1.566)**	**(1.102)**	**703**	**427**	-	-	-	**(1.538)**
Central banks	-	-	-	-	-	-	-	-
General governments	(226)	(33)	65	41	-	-	-	(153)
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	(12)	(25)	-	28	-	-	-	(9)
Non-financial corporations	(534)	(263)	281	(72)	-	-	-	(588)
Households	(794)	(781)	357	430	-	-	-	(788)
Provisions for debt instruments with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	**(31.894)**	**(174)**	**3.220**	**2.191**	-	-	-	**(26.657)**
Debt securities	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-
Loans and advances	**(31.894)**	**(174)**	**3.220**	**2.191**	-	-	-	**(26.657)**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	(1)	(2)	5	(2)	-	-	-	-
Non-financial corporations	(23.593)	(43)	3.111	1.002	-	-	-	(19.523)
Households	(8.300)	(129)	104	1.191	-	-	-	(7.134)
Provisions for credit-impaired debt instruments (Stage 3)	**(15.341)**	**(616)**	**5.007**	**(5.842)**	-	**1.158**	-	**(15.634)**
Debt securities	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-
Loans and advances	**(15.341)**	**(616)**	**5.007**	**(5.842)**	-	**1.158**	-	**(15.634)**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	(79)	(30)	-	83	-	-	-	(26)
Non-financial corporations	(5.728)	(111)	3.639	(4.857)	-	338	-	(6.719)
Households	(9.534)	(475)	1.368	(1.068)	-	820	-	(8.889)
Total	**(48.801)**	**(1.892)**	**8.930**	**(3.224)**	-	**1.158**	-	**(43.829)**

31 December 2019	Opening balance	Increases due to origin and acquisition	Decrease due to disposals	Changes due to modification in credit risk (net)	Changes due to modifications without derecognition (net)	Decreases due to adjustments to the value of derecognised write-offs	Other adjustments	Closing balance
Provisions for financial assets without increase in credit risk since initial recognition (Stage 1)	**(2.221)**	**(406)**	**1.113**	**540**	**(1)**	**-**	**(591)**	**(1.566)**
Debt securities	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-
Loans and advances	(2.221)	(406)	1.113	540	(1)	-	(591)	(1.566)
Central banks	-	-	-	-	-	-	-	-
General governments	(218)	(43)	57	(22)	-	-	-	(226)
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	(14)	(39)	146	-	-	-	(105)	(12)
Non-financial corporations	(940)	(192)	327	333	-	-	(62)	(534)
Households	(1.049)	(132)	583	229	(1)	-	(424)	(794)
Provisions for debt instruments with a significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	**(33.045)**	**(72)**	**4.932**	**1.043**	**(4.504)**	**-**	**(248)**	**(31.894)**
Debt securities	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-
Loans and advances	(33.045)	(72)	4.932	1.043	(4.504)	-	(248)	(31.894)
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	(5)	-	4	(45)	-	-	45	(1)
Non-financial corporations	(24.287)	(45)	4.670	638	(4.504)	-	(65)	(23.593)
Households	(8.753)	(27)	258	450	-	-	(228)	(8.300)
Provisions for credit-impaired debt instruments (Stage 3)	**(22.151)**	**(580)**	**3.270**	**(443)**	**(262)**	**3.634**	**1.191**	**(15.341)**
Debt securities	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-
Loans and advances	(22.151)	(580)	3.270	(443)	(262)	3.634	1.191	(15.341)
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	(49)	(21)	-	-	-	288	(297)	(79)
Non-financial corporations	(8.072)	(382)	542	1.868	(257)	1.667	(1.094)	(5.728)
Households	(14.030)	(177)	2.728	(2.311)	(5)	1.679	2.582	(9.534)
Total	**(57.417)**	**(1.058)**	**9.315**	**1.140**	**(4.767)**	**3.634**	**352**	**(48.801)**

Risk concentration

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

Thousands of Euros											
31/12/2020	Financial assets held for trading			Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost			
Concentration by country	Debt securities	Equity instruments	Derivatives	Debt securities	Equity instruments	Debt securities	Equity instruments	Debt securities	Interbank	Central banks and other demand deposits	Gross loans and receivables
Spain	51.782	1	4.485	-	2.454	60.937	3.665	171.535	178.999	831.013	723.950
France	238	-	342	13.619	-	41.839	-	51.309	67.941	104.933	139.132
Italy	277	-	-	-	-	-	-	80.716	-	438	5.312
Germany	7.248	-	1	-	-	17.510	-	15.370	-	5.348	2.603
Holland	747	-	3.618	-	-	1.819	-	23.845	-	1.682	128
Andorra	9.795	12	39.801	-	4.979	76.707	3.139	-	-	400	640.468
Rest of Europe	3.763	1.395	12.064	-	-	21.056	7.012	66.301	-	205.740	261.237
USA	1.880	3	9.335	-	1.557	54.915	35	88.525	207	62.559	15.125
Latin America	2.081	516	-	-	-	14.868	-	-	11.707	3.231	39.244
Other	1.216	107	39.251	-	-	14.745	29	16.494	163.303	70.107	115.148
	79.027	**2.034**	**108.897**	**13.619**	**8.990**	**304.396**	**13.880**	**514.095**	**422.157**	**1.285.451**	**1.942.347**

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31/12/2019	Thousands of Euros										
	Financial assets held for trading			Financial assets designated at fair value through profit or loss	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost			
Concentration by country	Debt securities	Equity instruments	Derivatives	Debt securities	Equity instruments	Debt securities	Equity instruments	Debt securities	Interbank	Central banks and other demand deposits	Gross loans and receivables
Spain	56.082	2	11.528	-	1.515	109.196	1.267	30.016	201.638	730.590	457.849
France	3.113	-	1.070	-	-	38.346	-	10.334	68.839	91.846	102.018
Italy	732	-	-	-	-	-	-	78.512	-	394	2.987
Germany	5.580	-	-	-	-	22.083	-	10.210	-	1.886	2.319
Holland	2.313	-	54	-	-	10.589	-	-	-	1.937	4.468
Andorra	7.607	10	640	-	5.518	73.632	6.617	400	-	4.335	653.186
Rest of Europe	6.380	6.483	11.428	-	-	40.848	11.026	19.146	42.635	128.850	247.316
USA	3.904	4	18.335	-	3.040	180.224	36	46.806	223	37.729	39.942
Latin America	2.279	738	-	-	-	14.668	-	-	2.756	3.208	138.339
Other	2.061	114	33.741	-	-	1.172	4.614	-	63.126	38.901	11.290
	90.051	**7.351**	**76.796**	**-**	**10.073**	**490.758**	**23.560**	**195.424**	**379.217**	**1.039.676**	**1.659.714**

Netting of assets and liabilities

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

31 December 2020	Carrying amount	Clearing agreements and collateral	Net exposure
Financial assets			
Derivatives	112.987	(26.661)	86.326
Loans and advances	408.372	(37.821)	370.551
Financial liabilities			
Derivatives	80.567	(57.151)	23.416
Deposits	340.964	(34.769)	306.195

31 December 2019	Carrying amount	Clearing agreements and collateral	Net exposure
Financial assets			
Derivatives	77.618	(24.698)	52.920
Loans and advances	332.581	(6.343)	326.238
Financial liabilities			
Derivatives	58.887	(45.298)	13.589
Deposits	311.524	(70.677)	240.847

d) Market risk

Sensitivity analysis

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

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

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

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

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

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

	Thousands of Euros			
At 31 December 2019	VaR at 31/12/2019	Average VaR for the period	Maximum VaR for the period (*)	Minimum VaR for the period (*)
Interest rate and spread risk	28	253	1.957	13
Currency risk	-	-	-	-
Variable income risk	55	69	50	55
Volatility/matching risk	-	-	-	-
Diversification effect	(21)	(44)	(49)	(11)
Total	**62**	**278**	**1.958**	**57**

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

Exposure to interest rate risk - Non-trading activity

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

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

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

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

31 December 2020	Up to one month	From one month to three months	From three months to one year	From one to five years	More than five years	Not sensitive	Total balance
Cash, balances with other central banks and other demand deposits	1.302.133	-	-	-	-	-	1.302.133
Financial assets	39.453	197.972	22.291	377.602	269.059	29.664	936.041
Loans and receivables	665.607	434.020	986.007	111.430	163.783	(40.172)	2.320.675
Loans and credits to entities	274.262	-	4.769	56.808	85.520	798	422.157
Credits to customers	391.345	434.020	981.238	54.622	78.263	(40.970)	1.898.518
Derivatives	-	-	-	-	-	108.897	108.897
Hedging derivatives	-	-	-	-	-	4.089	4.089
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	3.243	3.243
Other assets	-	-	-	-	-	551.978	551.978
Total assets	**2.007.193**	**631.992**	**1.008.298**	**489.032**	**432.842**	**657.699**	**5.227.056**
Financial liabilities held for trading	-	-	-	-	-	74.299	74.299
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	669.516	379.696	1.299.742	293.641	139.586	1.706.778	4.488.959
Deposits in central banks	53.377	-	-	115.370	-	-	168.747
Deposits in banks	227.375	60.566	-	60.917	88.986	1.736	439.580
Customer deposits	208.176	306.296	1.233.347	43.598	10.600	1.587.092	3.389.109
Demand	132.128	264.257	1.189.155	-	-	1.585.541	3.171.081
Term	76.048	42.039	44.192	43.598	10.600	-	216.477
Unpaid interest incurred	-	-	-	-	-	1.551	1.551
Other financial liabilities	-	-	-	-	-	-	-
Debt securities	180.588	12.834	66.395	73.756	40.000	562	374.135
Other financial liabilities	-	-	-	-	-	117.388	117.388
Hedging derivatives	-	-	-	-	-	6.268	6.268
Liabilities under insurance contracts	(440)	-	-	-	-	120.393	119.953
Other liabilities	-	-	-	-	-	-	-
Total liabilities	**669.076**	**379.696**	**1.299.742**	**293.641**	**139.586**	**1.907.738**	**4.689.479**
Equity	-	-	-	-	34.800	502.777	537.577
Total Liabilities + Equity	**669.076**	**379.696**	**1.299.742**	**293.641**	**174.386**	**2.410.515**	**5.227.056**
Assets	2.007.193	631.992	1.008.298	489.032	432.842	657.699	5.227.056
Liabilities	669.076	379.696	1.299.742	293.641	174.386	2.410.515	5.227.056
IRS - Derivatives	**38.000**	**(19.302)**	**25.213**	**(23.000)**	**(40.515)**	**-**	**(19.604)**
SIMPLE GAP	1.376.117	232.994	(266.231)	172.391	217.941	(1.752.816)	(19.604)
ACCUMULATED GAP	1.376.117	1.609.111	1.342.880	1.515.271	1.733.212	(19.604)	-

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31 December 2019	Up to one month	From one month to three months	From three months to one year	From one to five years	More than five years	Not sensitive	Total balance
Cash, balances with other central banks and other demand deposits	1.017.457	-	41.428	-	-	-	1.058.885
Financial assets	55.961	113.123	81.639	250.127	270.559	45.808	817.217
Loans and receivables	719.951	438.446	757.784	64.962	55.567	(46.580)	1.990.130
Loans and credits to entities	283.798	51.761	42.821	608	-	229	379.217
Credits to customers	436.153	386.685	714.963	64.354	55.567	(46.809)	1.610.913
Derivatives	-	-	-	-	-	76.796	76.796
Hedging derivatives	-	-	-	-	-	822	822
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	2.862	2.862
Other assets	-	-	-	-	-	614.671	614.671
Total assets	**1.793.369**	**551.569**	**880.851**	**315.089**	**326.126**	**694.379**	**4.561.383**
Financial liabilities held for trading	-	-	-	-	-	53.663	53.663
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	501.930	383.017	1.217.807	345.791	64.083	1.346.219	3.858.847
Deposits in central banks	48.532	-	27.874	-	-	1	76.407
Deposits in banks	223.487	122.495	20.985	-	-	2.995	369.962
Customer deposits	218.711	260.522	1.085.254	48.330	-	1.223.347	2.836.164
Demand	101.809	203.618	916.279	-	-	1.221.705	2.443.411
Term	116.902	56.904	168.975	48.330	-	-	391.111
Unpaid interest incurred	-	-	-	-	-	1.642	1.642
Other financial liabilities	-	-	-	-	-	-	-
Debt securities	11.200	-	83.694	297.461	64.083	1.622	458.060
Other financial liabilities	-	-	-	-	-	118.254	118.254
Hedging derivatives	-	-	-	-	-	5.224	5.224
Liabilities under insurance contracts	-	-	-	-	-	-	-
Other liabilities	(89)	-	-	-	-	120.635	120.546
Total liabilities	**501.841**	**383.017**	**1.217.807**	**345.791**	**64.083**	**1.525.741**	**4.038.280**
Equity	-	-	-	35.000	-	488.103	523.103
Total Liabilities + Equity	**501.841**	**383.017**	**1.217.807**	**380.791**	**64.083**	**2.013.844**	**4.561.383**
Assets	1.793.369	551.569	880.851	315.089	326.126	694.379	4.561.383
Liabilities	501.841	383.017	1.217.807	380.791	64.083	2.013.844	4.561.383
IRS - Derivatives	**-**	**(23.152)**	**(515)**	**38.000**	**515**	**-**	**14.848**
SIMPLE GAP	1.291.528	145.400	(337.471)	(27.702)	262.558	(1.319.465)	14.848
ACCUMULATED GAP	1.291.528	1.436.928	1.099.457	1.071.755	1.334.313	14.848	-

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Sensitivity analysis

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

	Thousands of Euros			
	Impact on net interest		Impact on economic value	
	Increase of 25 basis points	Decrease of 25 basis points	Increase of 100 basis points	Decrease of 100 basis points
31 December 2020				
Average for the period	12,34%	-12,12%	-3,17%	2,35%
Maximum for the period	14,66%	-9,87%	-2,22%	4,14%
Minimum for the period	10,41%	-15,04%	-4,58%	0,57%
31 December 2019				
Average for the period	12,10%	-11,95%	-0,32%	0,00%
Maximum for the period	13,66%	-9,52%	2,36%	3,18%
Minimum for the period	9,52%	-13,35%	-3,05%	-2,36%

Exposure to currency risk

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

	Thousands of Euros	
Foreign currency exposure	2020	2019
USD	1.912	(2.104)
GBP	(50)	(427)
CHF	(150)	3.705
JPY	-	(42)

e) Liquidity risk

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

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

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

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

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

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

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

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

ANDORRA BANC AGRICOL REIG, S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Free translation from the original in Catalan. In the event of discrepancy, the Catalan-language version prevails.)

Analysis of maturity dates for financial assets and financial liabilities

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

31 December 2020	Up to one month	From one month to three months	From three months to one year	From one to five years	More than five years	Not sensitive	Total balance
Cash, balances with other central banks and other demand deposits	1.133.642	644	28.706	14.106	115.366	9.669	1.302.133
Financial assets	22.467	14.724	12.793	448.795	407.598	29.664	936.041
Loans and receivables	352.926	75.557	450.134	824.444	657.786	(40.172)	2.320.675
Loans and credits to entities	274.262	-	4.769	56.808	85.520	798	422.157
Credits to customers	78.664	75.557	445.365	767.636	572.266	(40.970)	1.898.518
Derivatives	-	-	-	-	-	108.897	108.897
Hedging derivatives	-	-	-	-	-	4.089	4.089
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	3.243	3.243
Other assets	-	-	-	-	-	551.978	551.978
Total assets	**1.509.035**	**90.925**	**491.633**	**1.287.345**	**1.180.750**	**667.368**	**5.227.056**
Financial liabilities held for trading	-	-	-	-	-	74.299	74.299
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	797.002	217.966	263.244	814.846	1.652.347	743.554	4.488.959
Deposits in central banks	53.377	-	-	115.370	-	-	168.747
Deposits in banks	88.478	81.043	(67.743)	86.793	237.524	13.485	439.580
Customer deposits	652.983	119.747	264.592	403.928	1.335.740	612.119	3.389.109
Demand	572.593	89.695	213.607	359.478	1.325.140	610.568	3.171.081
Term	80.390	30.052	50.985	44.450	10.600	-	216.477
Unpaid interest incurred	-	-	-	-	-	1.551	1.551
Other financial liabilities	-	-	-	-	-	-	-
Debt securities	2.164	17.176	66.395	208.755	79.083	562	374.135
Other financial liabilities	-	-	-	-	-	117.388	117.388
Hedging derivatives	-	-	-	-	-	6.268	6.268
Liabilities under insurance contracts	-	-	-	-	-	-	-
Other liabilities	(440)	-	-	-	-	120.393	119.953
Total liabilities	**796.562**	**217.966**	**263.244**	**814.846**	**1.652.347**	**944.514**	**4.689.479**
Equity	-	-	-	-	34.800	502.777	537.577
Total Liabilities + Equity	**796.562**	**217.966**	**263.244**	**814.846**	**1.687.147**	**1.447.291**	**5.227.056**
SIMPLE GAP	712.473	(127.041)	228.389	472.499	(506.397)	(779.923)	-
ACCUMULATED GAP	712.473	585.432	813.821	1.286.320	779.923	-	-

31 December 2019	Up to one month	From one month to three months	From three months to one year	From one to five years	More than five years	Not sensitive	Total balance
Cash, balances with other central banks and other demand deposits	806.651	4.521	52.380	57.320	128.344	9.669	1.058.885
Financial assets	3.626	12.241	26.903	319.232	409.406	45.809	817.217
Loans and receivables	262.460	84.112	400.066	733.589	556.477	(46.574)	1.990.130
Loans and credits to entities	179.550	-	42.821	62.876	93.741	229	379.217
Credits to customers	82.910	84.112	357.245	670.713	462.736	(46.803)	1.610.913
Derivatives	-	-	-	-	-	76.796	76.796
Hedging derivatives	-	-	-	-	-	822	822
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	2.862	2.862
Other assets	-	-	-	-	-	614.671	614.671
Total assets	**1.072.737**	**100.874**	**479.349**	**1.110.141**	**1.094.227**	**704.055**	**4.561.383**
Financial liabilities held for trading	-	-	-	-	-	53.663	53.663
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	655.395	126.016	440.565	691.288	1.350.608	594.975	3.858.847
Deposits in central banks	48.532	-	27.874	-	-	1	76.407
Deposits in banks	37.561	-	-	78.941	250.466	2.995	369.963
Customer deposits	558.102	126.016	328.997	329.886	1.021.059	472.103	2.836.163
Demand	441.200	69.112	164.590	276.988	1.021.059	470.461	2.443.410
Term	116.902	56.904	164.407	52.898	-	-	391.111
Unpaid interest incurred	-	-	-	-	-	1.642	1.642
Other financial liabilities	-	-	-	-	-	-	-
Debt securities	11.200	-	83.694	282.461	79.083	1.622	458.060
Other financial liabilities	-	-	-	-	-	118.254	118.254
Hedging derivatives	-	-	-	-	-	5.224	5.224
Liabilities under insurance contracts	-	-	-	-	-	-	-
Other liabilities	(89)	-	-	-	-	120.635	120.546
Total liabilities	**655.306**	**126.016**	**440.565**	**691.288**	**1.350.608**	**774.497**	**4.038.280**
Equity	-	-	-	-	35.000	488.103	523.103
Total Liabilities + Equity	**655.306**	**126.016**	**440.565**	**691.288**	**1.385.608**	**1.262.600**	**4.561.383**
SIMPLE GAP	417.431	(25.142)	38.784	418.853	(291.381)	(558.545)	-
ACCUMULATED GAP	417.431	392.289	431.073	849.926	558.545	-	-

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

	Thousands of Euros			
At 31 December 2020	Carrying amount of committed assets	Market value of committed assets	Carrying amount of non-committed assets	Market value of non-committed assets
Equity instruments	-	-	24.904	24.904
Debt securities	434.232	442.972	476.905	472.362
Loans and advances	-	-	-	-

	Thousands of Euros			
At 31 December 2019	Carrying amount of committed assets	Market value of committed assets	Carrying amount of non-committed assets	Market value of non-committed assets
Equity instruments	-	-	40.984	40.984
Debt securities	241.781	245.558	534.452	521.794
Loans and advances	-	-	-	-

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

	Thousands of Euros		
At 31 December 2020	Fair value of committed guarantees received or own shares issued	Fair value of guarantees received or own shares issued available for commitment	Fair value of guarantees received or own shares issued not available for commitment
Guarantees received			
Equity instruments	-	-	-
Debt securities	452.428	134.308	318.120
Loans and advances	-	-	-

	Thousands of Euros		
At 31 December 2019	Fair value of committed guarantees received or own shares issued	Fair value of guarantees received or own shares issued available for commitment	Fair value of guarantees received or own shares issued not available for commitment
Guarantees received			
Equity instruments	-	-	-
Debt securities	352.084	107.792	244.292
Loans and advances	-	-	-

Guarantees received in the form of the temporary acquisition of assets or securities loaned are committed through their use in transactions for the assignment of assets under repurchase agreements, in the same way as for debt securities.

f) Operational risk

i. Definition and risk management

In accordance with Law 35/2018 on solvency, liquidity and prudential supervision of banking entities and investment firms, the Andbank Group defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events" ; a concept that aligns with the guidelines of the Basel Committee with regard to operational risk.

The operational risk is inherent to all the activities, products, systems and processes and its origins are diverse (processes, internal and external fraud, technology, human resources, commercial practices, disasters, providers). Consequently the Andbank Group considers it important to ensure that operational risk management is integrated into the Bank's global risk management structure and that the risk is managed actively.

The Andbank Group's main objective in relation to operational risk is to identify, evaluate, control and monitor all the events which imply a risk focus, with or without economic loss, for the purpose of adopting the best measures for its mitigation.

The main aim of the Operational Risk Department is to develop an advanced framework to manage operational risk, thus contributing to reducing the level of future exposure and the losses affecting the income statement. Its main responsibilities are:

- To promote and develop an operational risk culture throughout the Andbank Group, involving all business functions in management and control of operational risk.
- To design and implement a framework to manage and control operational risk, guaranteeing that all events subject to generating operational risk are identified and duly managed.
- To oversee the correct design, maintenance and implementation of legislation regarding operational risk.

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- To monitor the operational risk limits set, ensuring that the risk profile remains within the Bank's risk appetite level.
- To supervise the management and control of operational risk in the different business and support areas.
- To ensure that senior management and the board of directors receive a global overview of all the relevant risks, ensuring that the operational risk profile is reported.

ii. Structure and organisation

The areas and departments are responsible for the day-to-day management of operational risk in their respective fields. This entails identifying, assessing, managing and controlling operational risks from their activity, and informing, in collaboration with the Operational Risk department, on the implementation of the management model.

The Operational Risk department forms part of the Risks department, dependant on General management. Operational risk is globally monitored and supervised by maintaining the independence required by the Basel Banking Supervision Committee, the responsibilities of which include the control and supervision of operational risk.

The Operational Risk department is responsible not only for defining, standardising and implementing the management model but also measuring and controlling operational risk. It also provides support to areas and departments and compiles information on operational risks from the whole area to report to senior management and the risk management committees/commissions involved.

The Bank's operational risk management framework is based on an independent model of three lines of defence, in which the areas and departments are responsible for the first line of control, the Operating Risk department is the second line and Internal Audit acts as an independent third line of defence.

iii. Management levers

The methodology implemented via Operational Risk management levers and the tools and procedures for measuring, monitoring and mitigation form part of the key management levers for identifying, measuring and assessing operational risk.

The tools for identifying and measuring operational risks provide an overview of the losses materialising and enable a self-assessment to be made of risks and controls which will serve to focus on pre-emptive management and mitigation of operational risks. All of the processes involving self-assessment of risks, enriching of the database of losses, managing KRI, establishing weaknesses and action plans, etc. are carried out using workflows that are managed and controlled by the Operational Risk department, in conjunction with those individuals from other departments responsible for monitoring tasks.

The main tools used to manage operational risk within the Andbank Group are:

- A database of events, enabling all events with operational risk within all of the Andbank Group's subsidiaries to be captured and registered. The most relevant events of each subsidiary and of the Andbank Group are specifically reviewed and documented.

- A risks and controls map enabling all the risks from the Bank's day-to-day operations to be identified, as well as the persons in charge and controls. The objective is to define mitigation measures and action plans to reduce risk exposure.
- The annual Risk & Control Self-Assessment (RCSA), consisting of an assessment of the processes, enables critical points and the level of risk management quality to be identified in order for it to be improved and strengthened.
- Key risk indicators (KRIs) enable proactive management of the risk, evaluating the level of operational control through analysis and monitoring of its performance.

iv. Calculation of eligible equity requirements

In order to calculate the eligible equity requirements for operational risk the Andbank Group uses the basic indicator method. In accordance with this method the eligible equity requirements are determined based on 15% of the average of the relevant indicator from the last three years, following the indications of article 202 of the Regulation enacting Law 35/2018. At 31 December 2020 the operational risk equity requirement, calculated using the basic indicator method, amounts to Euros 358,779 thousand.

g) Regulatory compliance risk

Compliance with prevailing legislation regulating the banking activity and the rendering of financial services is an essential objective for Andbank. The Bank has adopted a series of measures to manage regulatory compliance and reputational risks. Regulatory compliance risk is understood to be the possibility of material or reputational sanctions or financial losses as a result of non-compliance with prevailing legislation and/or the Andbank Group's own internal procedures. Therefore, the regulatory compliance risk is closely linked to reputational risk, which implies that the Andbank Group is negatively perceived by public opinion or interest groups (customers, counterparties, employees, regulators) due to failures by the Bank during the course of its activity.

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

Andbank has a regulatory compliance function in line with its strategic objectives, which carries out its activities separately from the business areas and is formed of professionals specialised in each jurisdiction in which the Andbank Group operates. The Bank dedicates a significant amount of resources to continuously improve its human capital and the available technical resources, which enable the development of a permanently-updated risk control and management model compliant with legislation

Taking into consideration the aforementioned objectives, a series of global policies have been designed, approved by the board of directors. These policies are regularly reviewed to bring them into line with Andbank's activity. The global policies are applicable for the whole Andbank Group, as are a series of internal controls for managing legislative and reputational risk.

Likewise, the Bank has a Regulatory Compliance and Ethics Committee, the main aim of which is to oversee and supervise the adequacy and sufficiency of the regulatory compliance model for the whole of the Andbank Group.

The main pillars on which Andbank has instrumented the management of regulatory compliance risk and reputational risk are as follows:

Ethical and conduct rules

Andbank adopts measures to promote ethical conduct by all of the Andbank Group's employees. For this purpose, Andbank understands that the customer is its key element and that no business can be admitted if it generates reputational risk.

The Bank has an Ethical Code stipulating the strict standards of conduct with which all employees, directors and administrators must comply and binding them to a responsible conduct when carrying out their duties. Employees avail of a secure channel to resolve any queries or report activities which could breach the Bank's standards of conduct.

Prevention of money laundering and terrorism financing

Andbank undertakes to actively combat money laundering, financing of terrorism and other financial crimes. The effective implementation of procedures and rules based on the "Know your customer" (KYC) rules are fundamental for the Andbank Group.

KYC implies the entity having in-depth knowledge of both the individuals and entities with which it operates (whether it be a simple transaction or a long-standing commercial relationship) or to which it offers services, as well as knowing who are the final beneficiaries and related parties. KYC is an ongoing process which starts with acceptance of the customer and lasts during the whole business relationship. Likewise, a similar procedure, called KYE (Know Your Employee), is applied when hiring new employees.

In the framework of private banking the Bank has a global money laundering model based on EU directives. This model includes necessary adaptations to the particularities of the business of each subsidiary and to local legislation and is constantly being changed to bring it into line with legislative amendments.

For this purpose, Andbank applies a series of reinforced measures when carrying out and monitoring customer transactions. On the basis of information provided by customers and the information obtained by the Bank, all customers are classified in view of their potential risk in accordance with international standards (such as country of origin, residence or professional activity).

Andbank supports new technologies and has cutting-edge technical resources to detect suspicious patterns of behaviour and operations related to money laundering or the financing of terrorism.

The regulatory compliance function is focused on carrying out an independent review to provide sufficient guarantees when contracting new customers. This process is not just limited to accepting customers, it is also vital to perform ongoing monitoring to guarantee adequate knowledge of our customers at all times and therefore be able to detect transactions which could breach prevailing legislation.

For the purpose of standardisation and increasing efficiency with regard to the control over potential compliance risks, the function has prepared a procedures manual containing the activities through which risks are managed. This manual is updated in accordance with local regulations and international standards.

In order to reinforce good governance in this field, critical for any financial institution, Andbank has set up various committees in which senior management participates and in which the contracting of especially relevant customers is reviewed. A follow up is also carried out of the measures taken by the regulatory compliance function, making as many decisions as considered necessary for the aforementioned purposes.

Investor protection

The Andbank Group's commitment to its customers has two fundamental dimensions: the creation of long-term value and maximum information transparency. For this purpose, in order to guarantee that requirements stipulated by different legislations are met, the Andbank Group has global policies and procedures in place which are in line with each jurisdiction in which it operates.

The model established by Andbank to mitigate risks of legislative and reputational compliance takes into consideration the following:

- An organisational structure focused on risk management.
- Allocation of functions and responsibilities within the organisation.
- Transparent policies and procedures available to customers.
- Reinforcement of rules of conduct to increase investor protection.
- A procedure of distributing financial products based on classification of services, type of customer and products offered.
- Ongoing review of the control model to bring it into line with changes originating from new regulations.

In this regard, the Andbank Group ensures that the following is achieved:

- Financial services in line with customer requirements.
- A transparent bilateral relationship with rights and obligations for both parties.
- Fair resolution of customer complaints.

Law 8/2013 of 9 May 2013 on organisational requirements and operating conditions of the operating entities of the financial system, investor protection, market abuse and financial collateral arrangements was amended through Law 17/2019 of 15 February 2019 and the Regulation developing Law 8/2013. Both these texts arise from the transposition of the MiFID regulatory framework and Andorran legislation.

CRS (Common Reporting Standard)

CRS is a system for the automatic exchange of information in tax matters between countries, which enables taxation authorities of the adhered countries to obtain, on an annual basis, tax information relating to investments or positions of its tax residents in financial institutions located abroad (outside the country where they are resident for tax purposes).

The Principality of Andorra approved Law 9/2016 of 30 November 2016 on the automatic exchange of information in tax matters, which sets out the principles established by the OECD for Common Reporting Standards (CRS), included in the Convention on Mutual Administrative Assistance (CMAA) in Tax Matters, in relation to the automatic exchange between competent authorities in member countries on certain information in tax matters. The Law was published on the website of the Official Gazette of the Principality of Andorra (BOPA) (www.bopa.ad).

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This Law stipulates that financial institutions are legally under the obligation to report to their respective competent authorities (in the case of the Principality of Andorra, reporting is made to the Department of Taxes and Borders) certain personal and tax information regarding the accounts of non-resident customers.

Knowledge management and training

One of the Andbank Group's priorities in this area is the implementation of training, to ensure that all employees are aware of the requirements arising from applicable laws and regulations and of the procedures implemented.

Every year the Andbank Group defines the training plans required in all jurisdictions, which are given by the Andbank Group or external providers either in situ or via the online channel. Transmitting a culture of compliance to the whole of the organisation is essential for the adequate management of regulatory compliance risk.

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

Incidents and complaints

Andbank gives priority at all times to its customers and therefore, it never fails to consider or deal with their opinions or possible complaints. The Quality Department channels all complaints that customers submit to the Andbank Group through the various communication channels available. This department's aim is to quickly resolve any incidents and push forward any necessary changes in policies and procedures to mitigate the risk of these incidents happening again.

(39) Fair value of financial instruments

a) Measurement models and framework

Financial instruments, the carrying amount of which coincides with their fair value, have been measured in accordance with one of the following methodologies:

- Level 1: the fair value has been determined taking quoted prices in active markets, without making any adjustment to these prices.
- Level 2: the fair value has been estimated based on quoted prices in active markets for similar instruments or by using valuation techniques in which all significant inputs are based on directly or indirectly observable market data.
- Level 3: the fair value has been estimated using valuation techniques in which a certain significant input is not based on observable market data. An input is considered significant when it is important in determining the fair value as a whole.

b) Recognised assets and liabilities measured at fair value (fair value hierarchy)

A classification of assets and liabilities measured at fair value in the accompanying consolidated statements of financial position, broken down based on the valuation method used to estimate their fair value, is as follows:

31 December 2020	Level 1	Level 2	Level 3
Financial assets held for trading	**68.483**	**121.475**	-
Derivatives	-	108.897	-
Equity instruments	1.912	122	-
Debt securities	66.571	12.456	-
Non-trading financial assets mandatorily at fair value through profit or loss	**2.437**	**6.552**	-
Equity instruments	2.437	6.552	-
Financial assets designated at fair value through profit or loss	-	**13.619**	-
Debt securities	-	13.619	-
Financial assets at fair value through other comprehensive income	**218.700**	**99.576**	-
Equity instruments	10.656	3.224	-
Debt securities	208.044	96.352	-
Derivatives - Hedge accounting	-	**4.089**	-
Financial assets not measured at fair value	**417.730**	**96.365**	-
Equity instruments	-	-	-
Debt securities	417.730	96.365	-
Financial liabilities held for trading	-	**74.299**	-
Derivatives	-	74.299	-
Derivatives - Hedge accounting	-	**6.268**	-

31 December 2019	Level 1	Level 2	Level 3
Financial assets held for trading	**89.790**	**84.408**	-
Derivatives	-	76.796	-
Equity instruments	7.222	129	-
Debt securities	82.568	7.483	-
Non-trading financial assets mandatorily at fair value through profit or loss	**1.582**	**8.491**	-
Equity instruments	1.582	8.491	-
Financial assets designated at fair value through profit or loss	-	-	-
Debt securities	-	-	-
Financial assets at fair value through other comprehensive income	**393.680**	**120.638**	-
Equity instruments	12.843	10.717	-
Debt securities	380.837	109.921	-
Derivatives - Hedge accounting	-	**822**	
Financial assets not measured at fair value	**121.346**	**74.078**	-
Equity instruments	-	-	-
Debt securities	121.346	74.078	-
Financial liabilities held for trading	-	**53.663**	-
Derivatives	-	53.663	-
Derivatives - Hedge accounting	-	**5.224**	-

During 2020 and 2019 no significant movements have arisen between the fair value hierarchy levels.

c) Valuation techniques

For the recurrent and non-recurrent fair value measurements classified in Level 2 and Level 3 of the fair value hierarchy, a description, by type of instrument, of the valuation technique/s and inputs used to measure fair value at 31 December 2020 and 2019 is provided below:

31 December 2020	Fair value	Valuation techniques	Significant non-observable input	Range of estimates (weighted average) for non-observable input
Level 2 financial instruments				
Derivatives	193.553	Discount Model, Credit Default Model Black-Scholes Futures	Not applicable	-
Equity instruments	9.898	Deal Value	Not applicable	-
Debt securities	122.427	Credit Risk Models, Discount Model, Deal Value, others	Not applicable	-

31 December 2019	Fair value	Valuation techniques	Significant non-observable input	Range of estimates (weighted average) for non-observable input
Level 2 financial instruments				
Derivatives	136.505	Discount Model, Credit Default Model Black-Scholes Futures	Not applicable	-
Equity instruments	23.249	Deal Value	Not applicable	-
Debt securities	117.404	Credit Risk Models, Discount Model, Deal Value, others	Not applicable	-

d) Financial instruments not measured at fair value

The table below shows the fair value of financial instruments which are not measured at fair value in the statements of financial position and are measured by fair value hierarchy level for 2020 and 2019:

Financial assets at amortised cost	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31/12/2020	425.000	95.220	-	**520.220**	**514.095**
31/12/2019	124.353	64.777	-	**189.130**	**195.424**

(40) Events after the reporting period

On 22 December 2020 the AFA granted prior authorisation with no opposition so that ANDBANK ESPAÑA, S.A.U could directly acquire 100% of BANK DEGROOF and indirectly 100% of DEGROOF PETERCAM SGIIC, S.A. and DEGROOF PETERCAM CORPORATE FINANCE SPAIN, S.A.U. The latter two companies are wholly-owned by BANK DEGROOF. This transaction was subject the following regulatory procedures in Spain: i) declaration of non- opposition from the Banco de España and declaration of non-opposition from the European Central Bank received on 11 February 2021; ii) declaration of non-opposition from the Spanish National Securities Commission received on 19 January 2021; iii) prior authorisation from the Council of Ministers (regarding foreign investment, in accordance with the recent amendment of article 7 bis of Law 19/2003 on the legal regime of movement in capital and economic transactions abroad, amended by Royal Decree-Law 11/2020). At 31 December 2020 not all of the aforementioned conditions had been met. The closing price for the transaction stands at Euros 11,479 thousand and involves the inclusion of assets amounting to Euros 125 million and assets under management amounting to Euros 1,300 million on the statement of financial position.

(41) Compliance with legislation

Law regulating mandatory investment ratios (Llei de regulació del coeficient d'inversions obligatòries)

In a session held on 30 June 1994 the Principality of Andorra's General Council passed a Law regulating mandatory investment ratios. The Regulations pursuant to this law exclusively concern banking institutions and oblige them to maintain a certain investment ratio of assets in Andorran public funds.

On 31 December 2005 the Government enacted a Decree for public debt issue to which the Andbank Group subscribed in an amount of Euros 59,566 thousand, with maturity on 31 December 2009 and accruing interest at the official one-year rate of the European Central Bank. It was renewed for successive years, amounting currently to Euros 59,566 thousand, falling due on 30 March 2022.

Law regulating deposit guarantee reserves and other operating obligations held and deposited by entities belonging to the financial system (Llei de regulació de reserves en garantia de dipòsit i d'altres obligacions operacionals a mantenir i dipositar per les entitats enquadrades en el sistema financer)

In a session held on 11 May 1995 the Principality of Andorra's General Council, passed a Law regulating deposit guarantee reserves and other operational obligations, which are to be held and deposited by entities operating in the financial system. This law obliges the banks forming part of the Andorran financial system to maintain in their permanent funds various minimum reserves of equity to secure their operational obligations up to a limit of 4% of their total investments, after deducting investments made using equity and banking funds. In accordance with Law 1/2011 of 2 February 2011 for the creation of a deposit guarantee scheme for banks, amounts deposited in the AFA pursuant to the provisions of the Law on deposit guarantee reserves and other operational obligations were released. Accordingly, as a consequence of the agreement reached by the guarantee fund Management Commission on 29 August 2011, pursuant to Law 1/2011 of 2 February 2011, the Bank created a reserve of Euros 25,929 thousand at 31 December 2016 (see note 20). At 31 December 2020 this reserve amounts to Euros 27,026 thousand.

By virtue of Law 20/2018 of 13 September 2018 regulating Andorran deposit guarantee funds and the Andorran investment guarantee system, Law 1/2011 was repealed, except for the fourth transitional provision. This Law sets out the need for an additional buffer of funds for the guarantee fund and the annual contribution, as an ex-ante system, of contributions of an amount equivalent to 0.8% of the deposit guarantees up to 30 June 2024. At the same time the maximum coverage is increased by the investment guarantee system, stipulated by this Law, giving the Fund management committees and Guarantee system the possibility of requesting additional extraordinary contributions from the member entities.

On 23 April 2014 the Andorran Government issued the Regulation governing the programme for adjustments to improve national real estate, enhance energy efficiency of buildings and the use of renewable energy, amended by the revised Regulation dated 11 February 2015. The amount outstanding at 31 December 2020 for operations under this programme is Euros 1,143 thousand (Euros 1,220 thousand at 31 December 2019), recognised under loans and advances to customers in the consolidated statement of financial position.

Law 14/2017 of 22 June 2017 on the prevention and combat against the laundering of money or securities and the financing of terrorism (Llei 14/2017, del 22 de juny, de prevenció i lluita contra el blanqueig de diners o valors i el finançament del terrorisme)

In its session held on 22 June 2017, the Principality of Andorra's General Council approved the Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime. This law was published in the Official Gazette of the Principality of Andorra on 19 July 2017 and entered into force on 20 July 2017.

The implementation of international standards on the prevention of and combat against the laundering of money or securities and the financing of terrorism has become a national priority in Andorra, leading to the adoption of legislative initiatives in recent years and a review of the system for preventing and suppressing these criminal activities order to achieve the most effective framework to combat them.

In this context, the Principality of Andorra is periodically subject to assessments by the European Council, carried out by a committee of experts, to evaluate the measures being taken to combat the laundering of money or securities and against the financing of terrorism (Moneyval). These assessments require an adequate and effective implementation of international standards in this matter, materialising in the new recommendations of the Financial Action Task Force (FATF).

The purpose of this law is to reinforce even further the Principality of Andorra's commitment towards preventing and suppressing money laundering and the financing of terrorism, through an ongoing process of adapting legislation to international standards.

In accordance with this law, the Bank has set up proper and sufficient control and internal communications procedures to protect banking secrecy and prevent and impede operations related to money laundering generated by criminal activities. Specific personnel training programs have been carried out to this effect.

This law was amended by Law 21/2019 that entails transposing the principles of the fourth EU directive in this matter to Andorran legislation. A revised text of this legislation was published via legislative decree on 19 February 2020.

Law on the legal regime governing entities operating in the Andorran financial system and other provisions regulating financial activities in the Principality of Andorra (Llei sobre

el règim jurídic de les entitats operatives del sistema financer andorrà i altres disposicions que regulen l'exercici de les activitats financeres al Principat d'Andorra)

In the session held on 9 May 2013 the General Council approved Law 7/2013 on the legal regime governing entities operating in the Andorran financial system and other provisions regulating financial activities in the Principality of Andorra (Llei sobre el règim jurídic de les entitats operatives del sistema financer andorrà i altres disposicions que regulen l'exercici de les activitats financeres al Principat d'Andorra)

The purpose of this law is to unify the legislation governing banks operating in the financial system contained in Laws 24/2008, 13/2010, 14/2010 and the 1996 Law regulating the operational functions of the different components of the financial system into one single text. For this reason, although this Law does not introduce any significant amendments to the existing regulations, it does act to reinforce and restructure the prevailing laws to provide increased legal security to the legislative framework governing the Andorran financial system.

Approval of Law 7/2013 implies repealing the following laws: 1996 Law regulating the operational functions of the different components of the financial system; Law 24/2008 regulating the regime of specialised non-banking credit institutions; Law 13/2010 regulating the legal regime of investment entities and collective investment undertaking management companies; and articles 8 to 17 of Law 14/2010 regulating the legal regime of banking entities and the basic administrative regime of entities operating in the financial system.

Law on organisational requirements and operating conditions of the operating entities of the financial system, investor protection, market abuse and financial collateral arrangements (Llei sobre els requisits organitzatius i les condicions de funcionament de les entitats operatives del sistema financer, la protecció de l'inversor, l'abús de mercat i els acords de garantia financera).

In the session held on 9 May 2013 the General Council approved Law 8/2013 on organisational requirements and operating conditions of the operating entities of the financial system, investor protection, market abuse and financial collateral arrangements (Llei sobre els requisits organitzatius i les condicions de funcionament de les entitats operatives del sistema financer, la protecció de l'inversor, l'abús de mercat i els acords de garantia financera).

The purpose of this law is to maintain a structurally and functionally sound financial system, aiming at clarifying the legal framework regulating the financial system prevailing in Andorra. As a result, the provisions of Law 14/2010 and the prevailing provisions of the Law regulating the Andorran financial system dated 27 November 1993 are unified into a single text which incorporates commitments acquired regarding privileged information and market manipulation and abuse into Andorran legislation with the signing of the Monetary Agreement with the European Union.

This law includes the principles set out in Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004, known as MiFID (Markets in Financial Instruments

Directive), relating to the rules regarding ethics and conduct to be complied with by investment entities.

The approval of Law 8/2013 implies the repeal of articles 1 to 7, 18 to 44 and 46 to 55 of Law 14/2010 regulating the legal regime of banking entities and the basic administrative regime of entities operating in the financial system; and the repeal of the Law regulating the Andorran financial system of 27 November 1993.

This law has been amended regularly to include EU standards in accordance with the Monetary Agreement signed by the European Union and Andorra. It therefore included regulation on solvency and market abuse. A revised text of this legislation was published via legislative decree on 19 February 2020.

Law governing the Andorran Financial Authority (Llei de l'Autoritat Financera Andorrana)

At the session held on 23 May 2013 the General Council approved Law 10/2013 regulating the Andorran National Institute of Finance.

The purpose of this law is to provide the supervisor with the necessary resources to meet its objectives whilst, taking into consideration the financial authority's global scope of operations in a context of international expansion of the Andorran financial system, increasing these resources in line with the global growth of financial markets and pursuant to the commitments Andorra has acquired from signing the Monetary Agreement with the European Union.

The approval of Law 10/2013 implies repealing the following laws: Law 14/2003 regulating the Andorran INAF; article 45 of Law 14/2010 regulating the legal regime of banking entities and the basic administrative regime of entities operating in the financial system; and article 22 of the Law regulating the capital adequacy and liquidity criteria of financial institutions of 29 February 1996, amongst other regulations.

This law was amended by Law 12/2018 of 31 May 2018 whereby the name of the financial authority was replaced by that of the Andorran Financial Authority (AFA).

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Law governing indirect general taxation (Llei de l'Impost General Indirecte)

In its session held on 21 June 2012 the General Council of the Principality of Andorra approved the Law governing indirect general taxation (IGI) which entered into force on 1 January 2013. This law was subsequently amended by Law 29/2012 of 18 October 2012 and by Law 11/2013 of 23 May 2013, amending Law 11/2012. This general indirect tax is levied on goods delivered, service rendered and imports made by onerous contract in Andorra by business people or professionals usually or occasionally as part of their economic activity, irrespective of the purpose or the results achieved in the economic activity or in each particular transaction, including the condition of importer. The general tax rate is 4.5%, with a reduced rate of 1% and an increased rate of 9.5%, which is only applied to banking and financial services rendered.

The fifth additional provision to Law 11/2012 governing indirect general tax approved by Law 10/2014 of 3 June 2014 amending Law 11/2012, stipulates a special tax regime for the financial sector to which banks and non-banking specialised credit institutions carrying out activities subject to the increased tax rate stipulated in article 60 of the Law have adhered. This regime restricts the deduction of input tax to a maximum amount equivalent to 10% of the output tax at a rate of 9.5% for the rendering of bank and financial services. It is not applicable to real estate property.

The settlement period depends on the annual net turnover for all of the activities carried out by the tax payer in the immediately previous year. Payments can be made half-yearly, quarterly or monthly. Tax payers have to determine the tax debt in each settlement period, reducing the general indirect tax payable during the period by the general indirect tax instalments receivable, which are deductible in nature. The payable to or receivable from the Andorran Government deriving from the declaration of the aforementioned tax is recognised under Loans and receivables or Current payables on the consolidated statements of financial position.

The entry into force of Law 11/2012 of 21 June 2012 governing indirect general tax repeals the Law governing indirect taxation on the rendering of banking and financial services of 14 May 2002.

Law governing non-resident income tax (Llei de l'Impost sobre la Renda de No Residents Fiscals)

In a session held on 29 December 2010 the General Council of the Principality of Andorra approved the Law governing non-resident income tax. This direct tax is levied on income obtained in the Principality of Andorra by individuals or entities which are non-resident for tax purposes.

The net tax payable is calculated by deducting the deduction for double taxation from the taxable income, determined in accordance with the Law governing non-resident income tax.

Pursuant to Law 94/2010 of 29 December 2010 governing non-resident income tax, amended by Law 18/2011 of 1 December 2011, the tax rate applicable in 2018 stands at 10% for general purposes, 1.5% when income derives from reinsurance operations and 5% when income is received in the form of royalties.

Law 8/2015 of 2 April 2015 on urgent measures to implement restructuring and resolving mechanisms in banking entities (Llei 8/2015, del 2 d'abril, de mesures urgents per implantar mecanismes de reestructuració i resolució d'entitats bancàries)

In the session held on 2 April, the Principality of Andorra's General Council approved Law 8/2015 of 2 April 2015 on urgent measures to implement restructuring and resolving mechanisms in banking entities.

This law is the Principality of Andorra's response to certain events suggesting that the financial system is closely interconnected and that any crisis in a financial institution could spread rapidly to other banks and to the global economy. Certain measures have been set up to flexibly respond to various situations related to this systemic risk, including the creation of an Agency for the Resolution of Banking Entities (AREB) as the competent authority in the area of resolution. In addition, an Andorran Fund for the Resolution of Banking Entities (FAREB) has been created for the purpose of backing to the extent possible, the measures agreed when applying the aforementioned law. The FAREB is an entity without legal personality managed by the AREB.

The wording and drafting of this Law have been inspired on the principles of Directive (EU) no 2014/59.

Law 19/2016 of 30 November 2016 on automatic exchange of information in tax matters (Llei 19/2016, del 30 de novembre, d'intercanvi automàtic d'informació en matèria fiscal)

This Law regulates the legal framework required to meet the commitments regarding the automatic exchange both with the European Union and those commitments assumed by virtue of the multilateral agreement of the Council of Europe and the OECD and adapts and incorporates the OECD's Common Reporting Standards (CRS) to the Andorran legal system.

Likewise, Law 11/2005 of 13 June 2005 applying the Agreement between the Principality of Andorra and the European Community in relation to the establishment of measures equivalent to those provided for in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments, was repealed.

Law 35/2018 of 20 December on solvency, liquidity and prudential supervision of banking entities and investment firms (Llei 35/2018, del 20 de desembre, de solvència, liquiditat i supervisió prudencial d'entitats bancàries i empreses d'inversió)

In order to adapt the Andorran legal framework to legislative changes in the European Union, a substantial amendment is required to the prevailing legislation in relation to the following: (i) Supervisory regime, (ii) seed capital requirements, (iii) access to activity, (iv) corporate governance requirements and (v) sanctioning regime.

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Therefore, on 20 December 2018 the General Council approved the new Law on solvency, liquidity and prudential supervision which is implemented coherently and clearly and includes all the necessary legislative changes to incorporate community legislation into the Andorran legal framework. This Law comes into force on 24 January 2019 and certain aspects are subject to an adaptation timetable.

Amongst the main differences from a solvency standpoint we can highlight various differentiating capital items based on their capacity to absorb losses; stricter requirements when considering capital instruments as equity items; a significant increase in the total amount of exposure to the different risks to which entities are exposed; a capital buffer regime; self-assessment of the risk for each entity liaising with the Andorran Financial Authority (AFA), as well as the need to make a provision of capital to cover risks not included in the total exposure to the risk identified in the review and supervisory assessment processes; market transparency regarding entities meeting solvency and liquidity requirements and, finally, the AFA obligation to publish information in relation to financial regulation and supervision.

From a liquidity standpoint, the Law represents a significant improvement with regard to refining the calculation of the short-term liquidity ratio, in order to guarantee that sufficient liquid assets or a liquidity buffer are held to fully cover cash outflows less liquidity inflows, in scenarios of tension, over a period of 30 days. The former liquidity regime under the Law regulating capital adequacy and liquidity criteria of financial institutions of 29 February 1996 only stipulated that banking entities had to cover 40% of their short-term commitments with sufficiently liquid assets. The new liquidity regime also stipulates that entities have to calculate and inform the AFA regarding the long-term structural liquidity ratio or stable financing ratio, understood as the ratio between liabilities providing stable financing, such as equity and non-current deposits, and non-current assets which require stable financing. Until progress is made with regard to EU regulation on stable financing, it is not planned that a stable financing limit will be incorporated into the Andorran legal framework.

To conclude, the aim of this Law is none other than to boost the resilience of the Andorran banking and financial sector to ensure that it is better placed with regard to financial crises and to guarantee that banking entities continue to finance economic activity and economic growth with adequate and sufficient own funds.

Law 8/2018 on payment services and electronic money (Llei 8/2018 dels serveis de pagament i el diner electrònic).

In accordance with the Monetary Agreement, Andorra undertook to implement in its legal framework, inter alia, the EU legal provisions relating to Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC.

For the purpose of meeting the aforementioned commitments, at its session held on 17 May 2018 the General Council approved Law 8/2018 of 17 May 2018 on payment services and electronic money. This Law entered into force the day after its publication and its purpose was to include payment entities and electronic money institutions as new entities operating in the Andorran financial system, with their own legal regime and to regulate the rights and obligations of providers and users in relation to the rendering and use of payment services and the issue of electronic money. This law was subsequently amended by Law 27/2018 of 25 October 2018, modifying Law 8/2018 of 17 May 2018.

Lastly, the Government, making use of the capacity set out in the final ninth provision of Law 27/2018 of 25 October 2018, amending Law 8/2018 of 17 May 2018 on payment services and electronic money, enacted Title III of the Law 8/2018 which is drafted in accordance with the amendments of Law 27/2018 of 25 October 2018, amending Law 8/2018 of 17 May 2018 on payment services and electronic money, and rights and obligations in relation to the rendering and use of payments services; and Title IV of Law 8/2018, which is drafted in accordance with the amendments to Law 27/2018 of 25 October 2018 amending Law 8/2018 of 17 May 2018 on payment services and electronic money, authorising payment operations and their execution, both of payment orders and amounts transferred, as well as the execution period and the value date and corresponding responsibility regime.

The purpose of this law is to maintain a structurally and functionally sound financial system, aiming at clarifying the legal framework regulating the financial system prevailing in Andorra. As a result, the provisions of Law 14/2010 and the prevailing provisions of the Law regulating the Andorran financial system dated 27 November 1993 are unified into a single text which incorporates commitments acquired regarding privileged information and market manipulation and abuse into Andorran legislation with the signing of the Monetary Agreement with the European Union.

This law includes the principles set out in Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004, known as MiFID (Markets in Financial Instruments Directive), relating to the rules regarding ethics and conduct to be complied with by investment entities.

Legislation in response to the SARS-CoV-2 pandemic

On 2 April 2020 Law 3/2020 on extraordinary urgent measures due to the emergency health situation caused by the SARS-CoV-2 pandemic was published in the Official Gazette of Andorra, which implements a series of measures aimed at confronting the aforementioned emergency situation.

This law has been enacted and amended by a raft of measures, as follows:

- Decree of 24 March 2020 approving an extraordinary programme of guarantees for companies and businesses due to the emergency health situation caused by the SARS-CoV-2 pandemic, amended by Decree of 30 March 2020.
- Law 5/2020 of 18 April 2020 on new extraordinary urgent measures due to the emergency health situation caused by the SARS-CoV-2 pandemic.

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- Decree of 20 May 2020 approving a second extraordinary programme of guarantees for companies and businesses due to the emergency health situation caused by the SARS-CoV-2 pandemic, amended by Decree of 18 November 2020.
- Law 7/2020 on extraordinary urgent measures with regard to procedural and administrative matters, due to the emergency health situation caused by the SARS-CoV-2 pandemic.
- Decree of 9 June 2020 partially declaring the end of the emergency health situation caused by the SARS-CoV-2 pandemic.
- Sector agreement promoted by the ABA on the deferral of financing transactions for customers financially affected by COVID-19 approved on 11 June 2020.

Law 10/2020 on adhesion of the Principality of Andorra to the International Monetary Fund (IMF) (Llei 10/220 d'adhesió del Principat d'Andorra al Fons Monetari Internacional (FMI))

On 10 January 2020 it was agreed that the Principality of Andorra would join the IMF as a new member and a law was enacted that set out the competent powers and authorities in relation to this body. This law will enter into force once the Principality of Andorra has ratified the IMF Articles of Agreement.

Appendix 1

2020

Company	Registered offices	Activity	% Direct ownership	% Indirect ownership	Audited company	Interim dividend	Equity	Capital	Reserves	Unused prior years' profit (losses)	Profit/(loss)
Caronte 2002, SLU (*)	Andorra	Services	100%	-	No	-	113	32	6	76	(1)
Mon Immobiliari	Andorra	Real estate	100%	-	No	-	32	30	95	(91)	(2)
Andorra Gestió Agricol Reig, SAU	Andorra	Fund manager	100%	-	Yes	-	3.168	1.000	1.019	-	1.150
Andbank Bahamas (Limited) (*)	Bahamas	Bank	100%	-	No	-	1.117	3.500	58	(2.284)	(157)
Nobilitas, N.V.	Dutch Antilles	Holding	100%	-	Yes	-	38.339	18.344	26.791	(6.739)	(57)
Egregia B.V	Holland	Special purpose vehicle	-	100%	Yes	-	6.887	1.027	13.770	(7.839)	(71)
Zumzeiga Cooperatief U.A	Holland	Special purpose vehicle	-	100%	Yes	-	32.831	27.861	(1.896)	6.436	431
Andorra Assegurances Agricol Reig, SAU	Andorra	Insurance	100%	-	Yes	150	3.005	2.404	481	48	223
AndPrivate Wealth S.A	Switzerland	Wealth management	-	100%	Yes	-	3.214	3.710	(19)	(708)	231
Columbus de México, SA de CV	México	Wealth management	-	50%	Yes	-	3.605	1.368	(712)	2.046	902
Quest Capital Advisers Agente de Valores, SA	Uruguay	Securities broker	-	100%	Yes	-	2.415	12	(143)	1.971	576
Andbank Asset Management Luxembourg	Luxembourg	Fund manager	-	100%	Yes	-	4.055	3.000	304	-	752
Andbank Luxemburg	Luxembourg	Bank	100%	-	Yes	-	43.157	54.100	(178)	(11.468)	703
Andbank España, SA	Spain	Bank	100%	-	Yes	-	191.950	75.000	95.787	13.550	7.613
Andbank Wealth Management, SGIIC, SAU	Spain	Fund manager	-	100%	Yes	-	16.825	1.004	12.616	-	3.206
Medipatrimonia Invest, SL	Spain	Investment services	-	51%	Yes	500	935	54	720	-	661
Merchbanc, E.G.F.P. S.A	Spain	Pension fund manager	-	100%	Yes	-	1.511	601	728	-	182
Merchbanc, International, S.A.R.L (Luxemburg)	Luxembourg	Shareholder	-	100%	No	-	2.160	25	2.211	-	(77)
Andbank Correduria de Seguros SL	Spain	Insurance	-	100%	Yes	-	312	3	334	-	(25)
My Investor, S.L.U.	Spain	Agent. Auxiliary services	-	100%	No	-	4.780	2.803	930	-	1.047
Andbank Monaco S.A.M.	Mónaco	Bank	95%	-	Yes	-	27.340	21.000	3.116	2.257	968
Andbank Corretora de Seguros de Vida, Ltda	Brasil	Insurance	99,98%	-	Yes	-	143	1	(22)	21	143
Andbank Gestao de Patrimonio Financeiro, Ltda	Brasil	Wealth management	99,99%	-	Yes	-	332	305	(5)	12	21
Banco Andbank (Brasil), S.A	Brasil	Bank	100%	-	Yes	-	36.724	65.965	(16.830)	(11.439)	(973)
Andbank Distribuidora de títulos e Valores Mobiliários, Lt	Brasil	Intermediation of securities and discretional portfolio manag	-	100%	Yes	-	37	172	1	(120)	(16)
Sigma Investment House Ltd.	Israel	Holding	90,12%	-	Yes	-	2.823	388	7.855	(5.406)	(13)
Sigma Portfolio Management Ltd.	Israel	Portfolio management	-	100%	Yes	-	4.281	-	6.729	(2.482)	34
Sigma Premium Ltd.	Israel	Portfolio management and advisory services	-	100%	Yes	-	(1.514)	-	784	(2.443)	145
Sigma Mutual Funds	Israel	Investment fund manager	-	100%	Yes	-	1.749	177	708	935	(70)
Sigma Financial Planning Pensión Insurance Agency Ltd.	Israel	Investment fund manager	-	70%	Yes	-	(1.586)	-	-	(1.632)	46
APW Uruguay SA	Uruguay	Services	100%	-	Yes	-	762	371	(195)	419	167
APC Servicios Administrativos SLU	España	Services	-	100%	Yes	-	3.557	2.069	1.458	-	30
Andbanc Wealth Management LLC	USA	Holding	-	100%	Yes	-	5.425	18.742	(134)	(13.687)	503
Andbanc Advisory LLC	USA	Advisory services	-	100%	Yes	-	2.421	1.105	1.024	-	292
Andbanc Brokerage LLC	USA	Financial services	-	100%	Yes	-	2.359	1.457	146	-	756
APW Consultores Financeiros, Lda	Brasil	Financial services	100%	-	Yes	-	832	1.317	473	(1.371)	413
AND PB Financial Services, S.A	Uruguay	Representation office	100%	-	Yes	-	140	355	(241)	(1)	28
Andorra Capital Agricol Reig BV	Holland	Special purpose vehicle	100%	-	Yes	-	845	18	-	587	240
Quest Wealth Advisers, Inc (Panamá)	Panamá	Bank	100%	-	No	-	2.710	951	(788)	3.134	(587)
AB Covered Bond	Ireland	Special purpose vehicle	100%	-	Yes	-	414	-	-	70	344
AB Financial Products, D.A.C.	Ireland	Special purpose vehicle	100%	-	Yes	-	(284)	1	-	(293)	7
Sigma M. Partners, LTD	Israel	Advisory services	49,78%	-	Yes	-	328	506	894	(1.075)	4
Quest Capital Advisers , S.A. (AAGI)	Argentina	Global Investment Advisory Agent	95,00%	-	Yes	-	221	608	(277)	9	(118)

(*) Under liquidation

ANDORRA BANC AGRICOL REIG, S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Free translation from the original in Catalan. In the event of discrepancy, the Catalan-language version prevails.)

2019

Company	Registered offices	Activity	% Direct ownership	% Indirect ownership	Audited company	Interim dividend	Equity	Capital	Reserves	Unused prior years' profit (losses)	Profit/(loss)
Caronte 2002, SLU (*)	Andorra	Services	100%	-	No	-	114	32	6	77	(1)
Mon Immobiliari	Andorra	Real estate	100%	-	No	-	34	30	95	(108)	18
Andorra Gestió Agricol Reig, SAU	Andorra	Fund manager	100%	-	Yes	950	3.759	1.000	1.019	-	1.741
Andbank Bahamas (Limited) (*)	Bahamas	Bank	100%	-	No	-	1.303	3.500	58	(1.079)	(1.176)
Nobilitas, N.V.	Dutch Antilles	Holding	100%	-	Yes	-	29.052	1.000	26.791	1.482	(221)
Egregia B.V	Holland	Special purpose vehicle	-	100%	Yes	-	15.846	180	13.801	2.025	(160)
Zumzeiga Cooperatief U.A	Holland	Special purpose vehicle	-	100%	Yes	-	22.016	11.710	1.903	8.618	(215)
Andorra Assegurances Agricol Reig, SAU	Andorra	Insurance	100%	-	Yes	130	3.070	2.404	481	8	177
AndPrivate Wealth S.A	Switzerland	Wealth management	-	100%	Yes	-	2.986	3.710	(2)	(594)	(128)
Columbus de México, SA de CV	Mexico	Wealth management	-	50%	Yes	-	1.721	580	36	690	416
Quest Capital Advisers Agente de Valores, SA	Uruguay	Securities broker	-	100%	Yes	-	2.696	13 -		2.048	635
Andbank Asset Management Luxembourg	Luxembourg	Fund manager	-	100%	Yes	-	3.739	3.000	311	-	428
Andbank Luxemburg	Luxembourg	Bank	100%	-	Yes	-	43.070	54.100	147	(12.606)	1.429
Andbank España, SA	Spain	Bank	100%	-	Yes	-	184.182	75.000	95.071	8.928	5.183
Andbank Wealth Management, SGIIC, SAU	Spain	Fund manager	-	100%	Yes	-	13.619	1.004	6.854	-	5.762
Medipatrimonia Invest, SL	Spain	Investment services	-	51%	Yes	331	1.105	54	521	-	531
Merchbanc, S.G.I.I.C, S.A.U	Spain	Fund manager	-	100%	Yes	493	1.332	200	570	-	561
Merchbanc, E.G.F.P. S.A	Spain	Pension fund manager		100%	Yes	-	1.374	601	833	-	(60)
Merchbanc, International, S.A.R.L (Luxemburg)	Luxembourg	Shareholder		100%	No	-	2.236	25	2.322	(179)	68
Andbank Correduria de Seguros SL	Spain	Insurance	-	100%	Yes	-	337	3	-	114	220
My Investor, S.L.U.	Spain	Agent. Auxiliary services		100%	No	-	2.803	2.803	-	-	-
Andbank Monaco S.A.M.	Monaco	Bank	100%	-	Yes	-	27.273	21.000	4.016	1.419	838
Andbank Corretora de Seguros de Vida, Ltda	Brazil	Insurance	99,98%	-	Yes	-	18	1	(19)	107	(70)
Andbank Gestao de Patrimonio Financeiro, Ltda	Brazil	Wealth management	99,99%	-	Yes	-	110	11	(6)	6	98
Banco Andbank (Brasil), S.A	Brazil	Bank	100%	-	Yes	-	45.423	61.218	(4.633)	(11.160)	(2)
Andbank Distribuidora de títulos e Valores Mobiliários, Lt	Brazil	Intermediation of securities and discretional portfolio manag	-	100%	Yes	-	132	243	1	(50)	(63)
Sigma Investment House Ltd.	Israel	Holding	90,12%	-	Yes	-	7.937	388	7.923	(373)	(0)
Sigma Portfolio Management Ltd.	Israel	Portfolio management	-	100%	Yes	-	4.329	-	6.859	(2.388)	(142)
Sigma Premium Ltd.	Israel	Portfolio management and advisory services	-	100%	Yes	-	(1.691)	-	799	(2.390)	(100)
Sigma Mutual Funds	Israel	Investment fund manager	-	100%	Yes	-	1.854	180	721	587	366
Sigma Financial Planning Pensión Insurance Agency Ltd.	Israel	Investment fund manager	-	70%	Yes	-	(1.663)	-	-	(1.518)	(145)
APW Uruguay SA	Uruguay	Services	100%	-	Yes	-	659	371	(121)	107	302
APC Servicios Administrativos SLU	Spain	Services	-	100%	Yes	-	3.535	2.069	1.440	-	26
Andbanc Wealth Management LLC	USA	Holding	-	100%	Yes	-	(2.099)	11.773	(3)	(15.028)	1.160
Andbanc Advisory LLC	USA	Advisory services	-	100%	Yes	-	2.340	1.211	847	-	281
Andbanc Brokerage LLC	USA	Financial services	-	100%	Yes	-	2.426	2.266	-	(757)	917
APW Consultores Financeiros, Lda	Brazil	Financial services	100%	-	Yes	-	640	1.322	539	(1.088)	(132)
AND PB Financial Services, S.A	Uruguay	Representation office	100%	-	Yes	-	124	162	(6)	(33)	1
Andorra Capital Agricol Reig BV	Holland	Special purpose vehicle	100%	-	Yes	-	288	18	-	332	(61)
Andbank (Panamá) S.A.	Panama	Bank	100%	-	Yes	-	13.051	6.655	(26)	7.085	(662)
AB Systems, SAU	Andorra	Services	100%	-	No	-	53	60	-	(3)	(4)
AB Covered Bond	Ireland	Special purpose vehicle	100%	-	Yes	-	70	-	-	38	32
AB Financial Products, D.A.C.	Ireland	Special purpose vehicle	100%	-	Yes	-	(292)	1	-	(327)	35
Sigma M. Partners, LTD	Israel	Advisory services	49,78%	-	Yes	-	354	516	911	(1.099)	26
Quest Capital Advisers , S.A. (AAGI)	Argentina	Agente Asesor Global de Inversiones	95,00%	-	Yes	-	177	346	(115)	-	(53)

(*) Under liquidation

Appendix 2

ANNUAL REPORT 2020

Law 35/2018 of 20 December 2018 on solvency, liquidity and prudential supervision of banking entities and investment firms (Llei 35/2018, del 20 de desembre, de solvència, liquiditat i supervisió prudencial d'entitats bancàries i empreses d'inversió) was published in the Official Gazette of the Principality of Andorra on 23 January 2019.

In compliance with article 90, entities must publish an annual report attached to the audited financial statements, specifying, for every country in which they operate, the following information on a consolidated basis for each year:

a) Name, nature of activities and geographical location:

b) Turnover;

c) Number of employees on a full-time equivalent basis;

d) Gross profit/loss before tax;

e) Taxes on profit/loss;

f) Public grants received.

The aforementioned information required is as follows:

Name, nature of activities and geographical location

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

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

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

Other information on consolidated basis

This item shows the information on a consolidated basis corresponding to the turnover, number of employees on a full-time equivalent basis, gross profit/loss before tax, taxes on profit/loss, in accordance with points b) to e) of article 90 of Law 35/2018 of 20 December on solvency, liquidity and prudential supervision of banking entities and investment firms (Llei 35/2018, del 20 de desembre, de solvència, liquiditat i supervisió prudencial d'entitats bancàries i empreses d'inversió)

Thousands of Euros

	Revenues (*)	Number of employees on a full-time equivalent basis	Gross profit/(loss) before tax	Income tax
Andorra	85.104	300	16.938	(495)
Spain	71.663	364	15.747	(3.465)
Luxembourg	14.379	59	1.070	(66)
Monaco	14.807	50	1.350	(382)
Brazil	13.018	102	(234)	(539)
Israel	5.199	37	123	22
USA	4.956	18	438	66
Mexico	9.159	76	1.289	(387)
Uruguay	5.124	35	788	(17)
Switzerland	3.804	9	248	(18)
Panama	2.862	24	(587)	-
Other and adjustments	(14.870)	1	(998)	(630)
Total	**215.204**	**1.075**	**36.171**	**(5.912)**

(*) Revenues have been considered as the net results on operating activities, as stated in the income statements

Public grants received

The amount of public grants received is not significant.

Other information

At 31 December 2020 the return on the consolidated Group's assets, calculated by dividing the consolidated profit for the year by total assets, stands at 0.58%.