MiFID Brochure

ANDBANK
Private Bankers

1. INTRODUCTION.

In recent years, both Andorran and European regulations have progressively modified the regulation of companies that provide investment services, strengthening the rules of conduct that apply to these companies, in order to develop two fundamental pillars, increasing market transparency and investor protection.

The key milestone with regard to the regulatory change on the provision of investment services has been the publication of the Markets in Financial Instruments Directive 2006/73/EC ("MiFID 1"). In Andorra this directive and its body of rules has been transposed into Andorran legislation by means of the laws; Llei 14/2010, repealed and amended by Llei 8/2013 its development regulations.

2. GENERAL INFORMATION ABOUT ANDBANK.

ANDORRA BANC AGRICOL REIG, S.A. (hereinafter ANDBANK or the "Entity") is an Andorran credit institution which provides investment services, supervised by the Andorran Financial Authority (AFA) and the Unitat d'Intel-ligència Financera d'Andorra (UIFAND), the latter supervising aspects relating to the prevention of money laundering.

You can find general information about both institutions and the information registered about Andbank at the following links: https://www.afa.ad/ and https://www.uifand.ad/ca/.

You can also go to the addresses of the above-mentioned organizations at:

AFA

C/ Bonaventura Armengol, 10 Ed. Montclar, bloc 2, 4a planta

AD500 Andorra la Vella (Principat d'Andorra)

Tlf. (+376) 80 88 98 (+376) 86 59 77

UIFAND

C/ Dr. Vilanova 15-17 (planta -4)

AD500 Andorra la Vella (Principat d'Andorra)

Tlf. (+376) 806 730

Andbank began operating in 1930. It has a bank record authorized by the AFA and registered in the AFA's Registry of Entities under number EB 01/95. It is an entity belonging to the Andbank Group, and its registered office is in Escaldes-Engordany, C/ Manel Cerqueda i Escaler, 4-6, Principat d'Andorra.

All the services provided by the Bank and the products it offers are subject to current legislation.

The contractual commercial relations of the Entity with the clients will be formalized in Catalan. However, at the customer's request, they may be formalized in Spanish, French or English.

The methods of communication available to communicate with the Entity are as follows:

- Personally through its network of offices.
- By telephone: +376 873 300 / +376 739 011.
- Through the internet at www.andbank.com
- In the following email for information: info@andbank.com / comunicacio@andbank.com

3. INVESTMENT AND AUXILIARY SERVICES.

The Bank is authorized to provide investment and/or ancillary services, such as the reception and transmission of client orders, discretionary and individualized management of investment portfolios, investment advice and custody and administration on behalf of clients of securities and financial instruments, among others.

The Institution shall make available to the clients to whom it provides investment services the information that by legal imperative must be delivered in a durable medium and with the frequency and content that the regulations establish in this respect, depending on the type of service contracted.

The extent of this obligation shall be determined in each specific contract for the provision of the service concerned.

The Entity shall make available to the clients to whom it provides investment services, execution services or the reception and transmission of orders on financial instruments, exhaustive information related to the execution of such orders, under the terms established in the regulations in force at any given time. In the cases where a notice on a durable medium must be sent to clients confirming the execution of an order no later than the first business day after execution or, if confirmation is received from a third party, no later than the first business day after receipt of the third party's confirmation, the Entity shall send the clients the information related to execution on a durable medium.

Additionally, the Entity will send clients an individualized settlement notice for each order on a durable support.

3.1.PROVISION OF INVESTMENT AND AUXILIARY SERVICES OF ANDBANK ANDORRA.

The investment and auxiliary services carried out by the Entity:

Investment services:

- Reception and transmission of client orders in relation to one or more financial instruments
- Trading on your own account
- Discretionary and individualized management of investment portfolios in accordance with mandates given by clients
- Placement of financial instruments
- Investment advice

Auxiliary services:

- Custody and administration on behalf of clients of financial instruments.
- Granting of credits or loans to an investor to enable him to carry out a transaction in one or more financial instruments, when the Entity participates in the transaction.
- Foreign exchange services when they are related to the provision of investment services.
- Investment reports and financial analysis or other forms of general recommendation relating to transactions in financial instruments.

3.2.GENERAL PRINCIPLES TO BE APPLIED IN THE PROVISION OF INVESTMENT SERVICES

Customer knowledge and information gathering

The Entity must obtain different levels of information about the client prior to the provision of investment and/or ancillary services.

Obtaining this information will allow to have an appropriate knowledge of the client in order to adapt the offer of financial instruments and investment and/or auxiliary services to their specific characteristics and needs.

General principles of conduct in the relationship with the client

In providing investment services, all the Bank's employees will act with honesty, impartiality and professionalism, in the best interests of its clients, in accordance with the principles set out in the Code of Conduct.

Requirements to be met by information to clients and potential clients

All the information provided by the Entity to the client must comply with the following general conditions:

- It must include the name of the operating entity of the financial system.
- It should be accurate and, in particular, should not highlight the potential benefits of an investment service or instrument without impartially and visibly indicating the relevant risks.
- It should be sufficient and presented in a manner that is understandable to any person to whom it is addressed, or to the likely recipients of the information.
- It should not cover, minimize or hide important points, statements or warnings.

- Where information compares investment or ancillary services, financial instruments or persons providing investment or ancillary services, the comparison must be relevant and presented in an unbiased and balanced manner, specifying the sources of information used for the comparison and including the main facts and assumptions used to make the comparison.
- Where the information indicates past performance of a financial instrument, a financial index or a service, this indication should not be the most prominent feature of the communication and, in addition, the information should comply with the requirements of applicable regulations.
- Where the information includes simulated historical results or references, the information contained must comply with the requirements of the applicable regulations.
- When the information contains data on future results, it must not be based on simulated historical results, it must be based on reasonable assumptions supported by objective data and, if the information is based on gross results, the effect of commissions, fees or other charges must be disclosed. The information must contain a clear warning that these forecasts do not represent a reliable indicator of future results.
- If the information mentions a particular tax treatment, it should clearly indicate that the tax treatment depends on the individual circumstances of each client and may vary in the future.
- The information should not use the name of any competent authority in a way that indicates or may lead one to believe that this authority approves or endorses the products or services of the entity operating in the financial system.

Details of pre-contractual information to be provided to customers

The Entity will provide the client, prior to the provision of an investment and/or auxiliary service, with the pre-contractual information required by the applicable regulations.

On the one hand, contractual information will be provided and, on the other hand, specific pre-contractual information will be provided at the time prior to contracting or providing the service.

This prospectus forms part of the pre-contractual information on the provision of investment services by the institution.

3.3. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The financial instruments on which the Entity can provide the above investment and/or auxiliary services are all those defined in the regulatory standards, on which the Entity is authorized.

Andbank will classify the financial products in accordance with the regulations, i.e. taking into account

- Complexity.
- Risk.

Complex and non-complex instruments

The Entity classifies the financial instruments on which it provides investment and/or ancillary services, differentiating between complex and non-complex financial instruments in accordance with the requirements established in current legislation.

The following is a non-exhaustive list of complex and non-complex products, although taking into account certain situations established in article 36 quarter of law 8/2013, the category of these may be affected and a complex product may become non-complex and vice versa.

Product type	Non complex product	Complex product
Equity	Shares admitted to trading on regulated markets	Shares not listed on organized markets Convertible shares Convertible preference shares or shares with early redemption rights Preferred shares
Fixed Income	Money market instruments not incorporating embedded derivatives (treasury bills, certificates of deposit, commercial paper, etc.) Treasury bonds Bonds that do not incorporate embedded derivatives (corporate bonds and debentures; mortgage bonds and debentures)	Money market instruments incorporating embedded derivatives (credit linked notes, structured notes, convertible bonds, etc.) Bonds with embedded derivatives (corporate bonds and notes; mortgage bonds and notes)
IICs	Holdings or shares in IICs (FI and SICAVs) UCITS	Holdings or shares in nonUCITS CIIs (IF and SICAVs) Hedge Funds IIC Real Estate IIC Private Equity IIC Venture Capital
Other financial instruments	Structured deposits that do not incorporate an embedded derivative	Options, futures, swaps, forward rate agreements and other derivative financial instrument contracts Financial contracts for differences Securities that give rights to acquire or sell other financial instruments (warrants, covered warrants) Structured deposits incorporating an embedded derivative
ETFs	ETFs UCITS	ETFs no UCITS

Classification of financial instruments according to their risk

The Entity will proceed to classify the financial instruments on which it provides investment and auxiliary services to its customers according to their risk, this classification will be necessary to be able to assign products to customers to whom the service of discretionary portfolio management and/or investment advice is provided, depending on the profile obtained from the suitability test.

The Entity's clients who contract the discretional portfolio management and investment advice services must complete the suitability test in order to obtain a profile on the basis of which the investment recommendations or the provision of the portfolio management service will be made.

3.4. ASSESSMENT OF APPROPRIATENESS

Prior to the provision of investment services other than discretionary portfolio management and investment advice, the institution must determine whether the client has the necessary knowledge and experience to understand the risks inherent in the investment product or service offered or demanded.

In the event that the client has been classified as a professional client or eligible counterparty, the Institution may assume that it has the necessary knowledge and experience to understand the risks inherent in those particular investment services and products, and is not required to assess appropriateness.

Therefore, the Bank must ask retail clients to complete the appropriateness test prior to the provision of investment services. The result this test will determine whether the client has sufficient knowledge and experience to understand that the financial instruments aresuitable for him.

- If the result of the appropriateness test is "suitable", the financial instrument will be considered as suitable.
- If the result of the suitability test is "not convenient" and despite this the client insists on contracting it, the client could carry out the operation, on his own account and assuming the risks derived from the operation, after the Bank has warned him of the lack of convenience.

The validity of the convenience test will be three years, counting from the moment the Entity receives the test completed by the customer, and must be re-formalized after three years, or earlier if there has been any modification.

The Entity will have the right to rely on the information provided by the customer to carry out the convenience evaluation, except in those cases in which the Entity knows that the information provided by the customer is manifestly false, or is inaccurate or incomplete.

When a package of services or combined products is recommended, the convenience evaluation must be carried out on the package considered as a whole, and the package of services must be convenient for the client.

Holders/Titles

For the purposes of the appropriateness test, the knowledge and experience of the originator shall be taken into consideration, regardless of whether it concerns several co-owners or authorized persons with joint or several powers.

3.5. ASSESSMENT OF SUITABILITY

Prior to providing discretionary portfolio management and investment advisory services, the Bank will conduct the suitability test for all its clients, the objectives of which will be as follows:

- To ensure that the services are in line with the client's investment objectives, their investment knowledge and experience and their financial situation/capability to cope with the investment.
- To classify clients according to one of the global risk profiles in force at any given time at the Entity.

The areas analyzed in this assessment, the information on which is obtained by means of the suitability test, are:

- The knowledge and investment experience of the client. The purpose of this information is to ensure that the customer can understand the risks involved in the transaction and identify the products that can be recommended or provided by the portfolio management service according to their complexity.
- The client's financial situation. The purpose of this information is to ensure that the customer can, from a financial point of view, assume the risks and bear the losses generated by his investment. It will include information on the source and level of their regular income, their assets, liabilities as well as regular financial commitments. It will make it possible to identify the products that can be recommended or included in the portfolio in the case of portfolio management according to the liquidity and risk they carry.
- The client's investment objectives. The purpose of this information is to ensure that the investment meets the client's investment objectives. It includes information on the desired time horizon for the investment, his risk-taking preferences, his risk profile and the purposes of the investment.

When the entity offers a package of combined services or products, it must assess the suitability of the entire package.

In the case of professional clients, the entity shall not be required to obtain information about the client's knowledge and experience in relation to the products, transactions and services for which it has obtained professional client status.

As a result of the information obtained from the above areas, the Entity will obtain an investment profile of the customer, from greater to lesser risk.

The suitability test will be valid for three years from the time the Bank receives the test completed by the customer, and must be re-formalized after three years, or earlier if there have been any modifications.

When the Institution does not obtain the information indicated in this paragraph, it cannot carry out the suitability assessment and therefore cannot recommend the investment services or financial instruments to the client or potential client, nor manage its portfolio.

Additionally, it will be assumed that the information provided by the client in the suitability tests is reliable and therefore may be used to ascertain the client's needs, unless there are clear indications that the information provided is false, inaccurate or incomplete.

The fit and proper test may yield different risk profiles in the event that a customer has needs for different parts of his assets with different risk profiles. To this end, he shall subscribe to the part of the suitability test relating to the investment purpose as many times as he pursues specific objectives.

Titles

In the event of the appointment by a natural or legal person of a proxy/authorized representative, it is considered reasonable that the suitability test be applied taking into account the knowledge and experience of the proxy/authorized representative with respect to the specific product or service and the financial situation and investment objectives of the principal.

For the purposes of the suitability test, the knowledge and experience of the Authorizer shall be taken into consideration, regardless of whether it refers to several co-owners or authorized persons with joint or several powers. Once the above has been established, the co-owners may designate another co-owner or authorized person other than the originator for such purposes, making this circumstance known to the Entity in a reliable manner beforehand.

3.6. PROVISION OF FINANCIAL SERVICES

Orders execution

It is the investment service of reception, transmission and execution of orders (hereinafter RTO) for the purchase and sale of financial instruments at the initiative of clients.

In this case, the Entity does not issue any type of recommendation/participation on the suitability of a certain product/portfolio to a client based on his or her personal circumstances, it only analyses, when the product requires it, the suitability of the product for the client.

For the trading of financial instruments by RTOs, both complex and non-complex, and for retail, professional or counterparty clients, the Bank has controls in its computer trading platform that generate the appropriate warnings. In the case of complex products for retail clients, as required by current regulations, an assessment is made of the suitability and if the transaction to be carried out is not appropriate, the client is notified accordingly. Likewise, the Entity guarantees compliance with the requirements established in the applicable regulations.

In order to carry out the convenience evaluation, the convenience test will be completed. If a client does not wish to receive the advisory or discretionary management services, the convenience test will be sufficient and will only cover questions of financial knowledge and experience.

Discretionary Portfolio Management

It is understood that the Entity provides this service when it has a contractual relationship with its client in which it is established that the latter delegates the management of his portfolio to the Entity, so that the instructions on the portfolio will be given by the Entity, or whoever the Entity designates, where applicable, in accordance with the conditions set out in the contract.

The provision of the discretionary management service requires a suitability test in force, in order to comply with the applicable regulations. Consequently, the Entity does not accept contracts for discretionary management portfolios without a suitability test. Thus, management will be carried out in accordance with the mandate conferred and the information provided by the customer on his knowledge and experience, his

financial situation and his investment objectives, including the customer's risk tolerance, respecting his risk profile.

The Bank's discretionary management portfolios, as established by current regulations, are subject to a periodic review of the performance or results obtained, with special attention to the evolution of both the market strategies adopted and the selection of assets.

Also, the Bank's discretionary management portfolios are subject to constant control of the risk they assume, both in general terms and by type of asset or degree of concentration.

In the event that the bank delegates the management of the portfolios to a third party, customers will be informed of this situation if it has not already been advised at the contractual level.

Advice

The investment service known as investment advice consists of the provision of personalized recommendations to a client, either at the latter's request or at the Bank's initiative, in respect of one or more transactions relating to financial instruments.

It is understood that the Bank provides this service when it issues a recommendation/opinion on the suitability of a certain product/portfolio to a client based on his or her personal circumstances.

The provision of such service necessarily requires the signing of a specific contract for its provision, as well as the performance by the customer of a suitability test, which enables the Entity to evaluate the customer's attitude towards risk (risk profile), and therefore the types of financial instruments (and the risks associated with them) that are suitable for the customer. By means of this test and always on the basis of the information provided by the customer, the Institution will make investment recommendations in accordance with the customer's risk profile, i.e. respecting the knowledge, experience, financial situation, including the capacity to bear losses, as well as the investment objectives including the customer's risk tolerance.

In this advisory service, the Entity presents investment recommendations on a universe of financial instruments limited to those that the Entity considers appropriate at any given time based on its own investment selection criteria and which may include financial instruments issued, guaranteed or managed by companies or companies of the group to which the Entity belongs (Andbank group), i.e. its own products.

In order to avoid possible conflicts of interest that might arise from the inclusion of recommendations on its own products in the advisory service, the Bank has a conflict of interest management policy aimed at acting at all times in the best interests of the customer.

The issuance or publication in any medium by the Entity of general valuations on the stock markets or certain sectors or financial or specific instruments, analysis of specific or general economic or political situations, or any other type of financial-economic or stock market analysis, which may be carried out by the Entity in the development of commercial, advertising and marketing actions for financial instruments in general through any of the channels established for the relationship with its customers, shall not be considered investment advice.

4. CUSTOMER CLASSIFICATION

CONCEPT OF RETAIL CLIENT, PROFESSIONAL CLIENT AND ELIGIBLE COUNTERPART

Prior to the provision of investment and/or ancillary services, the Entity will classify its clients, in accordance with current regulations, into retail, professional and eligible counterparties.

- **Retail customers**

All those who are not classified as professional customers will be considered retail customers.

- **Professional customers**

Professional clients are those who are presumed to have the necessary experience, knowledge and qualifications to make their own investment decisions and to correctly assess the risks inherent in those decisions, and in particular

a) Banking institutions; specialized credit - non-banking financial institutions; financial investment institutions; collective investment schemes, including securitization or venture capital schemes and

their management companies; insurance companies; pension funds and their management companies; commodity and commodity derivatives dealers; self-employed dealers; other institutional investors; and, in general, any entity with financial activity that is, or will be, under the supervision of the AFA;

b) Employers who individually meet at least two of the following conditions
   1. the total of the asset items is equal to or greater than EUR 20 million
   2. their annual turnover is EUR 40 million or more;
   3. its own resources are equal to or greater than EUR 2 million.

c) States and general government, public bodies that manage public debt, central banks, the AFA, international and supranational bodies such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organizations; and

d) other institutional investors whose regular business is to invest in financial instruments, including entities engaged in securitization and other financing transactions.

Professional customers are also considered to be those who expressly waive in writing that they be treated as retail customers and who state that they wish to be treated as professional customers at all times or only in respect of a particular investment transaction or service.

However, the acceptance of the request for waiver will be subject to the Bank making an appropriate assessment of the client's competence, experience and knowledge, ensuring that, in view of the nature of the transactions or services requested, the client is capable of making his own investment decisions and understands his risks

When carrying out the above mentioned evaluation, the Entity will verify that at least two of the following requirements are met:

1. the client has carried out transactions of significant volume on the securities market, at an average frequency of at least ten per quarter over the previous four quarters;
2. the value of the cash and securities deposited is greater than EUR 500,000;
3. the client holds, or has held for at least one year, a professional position in the financial sector which requires knowledge of the transactions or services envisaged

- **Eligible Counterparts**

Entities and operators informed in letters a) and c) of the previous section may be considered eligible counterparties, without prejudice to the right of these entities to request, generally or for each transaction, treatment as professional clients; in the latter case the Entity is subject to compliance with the information obligations established in the regulations and may treat these entities and operators as professional clients, without prejudice to the right of these entities to request treatment as retail clients. Equivalent third country entities shall also be considered as such.

Likewise, if the client so requests, any legal person that is considered a professional client in accordance with Article 32 of the consolidated text of Law 8/2013 shall also be considered an eligible counterparty. In this case, it may only be recognized as an eligible counterparty in respect of the services or transactions for which it may be treated as a professional client and provided that express confirmation is obtained from the client who agrees to be treated as an eligible counterparty generally or by transaction. This shall include third country firms which are subject to equivalent requirements and conditions.

PROCEDURE FOR CUSTOMER CLASSIFICATION

All clients to whom the Entity provides investment and/or ancillary services must be classified as retail, professional or eligible counterparties. To be classified as professional clients or eligible counterparties, clients must be included in one of the categories set out in the previous section, otherwise they will be classified as retail. In general, all of the Bank's customers will be classified as retail customers by default and will be so informed in the account opening book, with the retail category being the one that provides the customer with the greatest protection.

The customer has the right to request a different classification as long as the conditions for such a change are met in accordance with the customer classification policy established by the Entity at any given time and the limitations (especially in terms of investor protection) that may arise from such a change.

Any request by the customer to change their classification must be made in writing in accordance with the standard format established by the Entity for this purpose, which must include the customer's signature and the date from which the new classification will take effect (through all the communication channels admitted by the Entity).

The customer must inform the Entity of any change in his situation which could imply a modification in his initial or subsequent classification. The Entity reserves the right to make any change in the customer's classification in accordance with the conditions established in its customer classification policy and the provisions of current regulations.

UPDATING THE CUSTOMER CLASSIFICATION

Periodically, the Entity will verify that clients classified as professional clients or eligible counterparties continue to meet the requirements necessary to be classified in those categories. The Entity, in its procedure for updating the classification, will distinguish between professional clients that come from a change of category, from the rest of the professional clients and eligible counterparties.

5. POLICY ON MANAGEMENT OF CONFLICTS OF INTEREST

The law requires entities that provide investment services to have a policy for detecting and managing conflicts of interest that may arise at the time of providing any investment or ancillary service between the entity itself and its clients or between different clients that may harm the interests of them.

Andbank has a policy and procedures to identify potential conflicts of interest which may arise in the provision of investment and ancillary services and activities between the Bank or any person who collaborates or provides investment or ancillary services and its customers or among the customers themselves. These procedures contain the necessary measures to manage the conflicts detected, and allow persons to act with an appropriate level of professionalism and independence in the provision of investment services.

The Conflict of Interest Management Policy lists, in a non-exhaustive manner, potential conflicts of interest that have been identified, as well as the management measures established to minimize such conflicts.

The "Conflict of Interest Management Policy" is available at
https://www.andbank.com/andorra/informacion-legal/cumplimiento-normativo/

6. INCENTIVE SCHEME

Incentives are the fees, commissions and non-cash benefits that Andbank pays or receives from third parties in connection with the provision of an investment service to its clients in respect of financial instruments that are at the MiFID application level at any given time.

Andbank's pursuit of its customers' best interests and its duty to act in an honest, impartial and professional manner are not compromised by the receipt or payment of an incentive. The Bank has adequate mechanisms and measures in place to ensure that the services and products offered to customers are suitable and/or appropriate for them. In this respect, it is hereby informed that as a consequence of the provision of investment services and in order to achieve an increase in the quality of the service provided and always acting in the optimum interest of the customer, Andbank may receive or deliver fees, commissions or non-monetary benefits whose existence, nature and amount (or when the amount cannot be determined, the method of calculating that amount) or any other information, is available to the customer.

7. ASSET SAFEGUARD POLICY

Andbank has adequate internal mechanisms and measures in accordance with the regulations applicable to the deposit of financial instruments and securities in order to ensure the proper protection of customers' assets.

When providing the service of administration and custody of financial instruments on behalf of its customers, Andbank may in certain cases resort to the use of sub-custodians whenever this is necessary or convenient for the efficient custody and administration of the securities in question.

The Bank exercises in these cases the same precautions that it would exercise if it were acting as a direct custodian of the financial instruments, acting with due competence, care and diligence in the selection, appointment and periodic review of the sub-custodians, ensuring that they are entities with a solid reputation in terms of experience and prestige in the market. This possibility is mainly focused on the area of foreign securities. In the event of loss, damage or impairment that might occur with respect to the securities and financial instruments and/or their returns as a result of bankruptcy, insolvency or defective operation of the selected sub-custodians, the Bank will only be liable for them if it did not act with the aforementioned caution in its selection.

Under certain circumstances, it may be that securities and financial instruments may be recorded in global accounts ("omnibus accounts") when the usual practice of these markets requires the use of the aforementioned accounts for customers of the same entity (mainly at the level of foreign securities), in accordance with the rules of the service, body or entity concerned. In any event, Andbank has at all times procedures which ensure the separation of the positions it holds for its own account and for the account of its customers, and internal records which make it possible to recognize ownership of the customer's securities deposited on its account in "omnibus accounts".

Andbank has an "Asset Safeguard Policy" which is available at
https://www.andbank.com/andorra/informacion-legal/cumplimiento-normativo/

8. COSTS AND ASSOCIATED EXPENSES

The Entity will receive for the development of its activity and the provision of investment and/or auxiliary services the fees and commissions established in its Rate Book.

The fees and commissions set out in this book are maximum fees and commissions, without prejudice to the fact that those actually charged to customers for the provision of the aforementioned services may be lower than those set out in the aforementioned document.

The Tariff book is available at https://www.andbank.com/andorra/tarifas/ and in the Entity's offices.

If there is any change in the maximum applicable fees and commissions, the Entity will expressly inform its clients in writing or in any of the periodic communications sent to them as established in current regulations.

9. BEST EXECUTION AND ORDER MANAGEMENT POLICY

This Policy aims to define the Entity's procedures to carry out the execution of orders, which will allow it to obtain the best possible result for its clients' operations; as well as to define the procedures and systems for the management and assignment of orders that will allow their rapid and correct execution and subsequent assignment.

Specifically, the Policy:

- It defines the Entity's criteria for selecting the intermediaries that will execute the orders and specifies the measures and procedures to be followed for their appropriate selection, within the provision of the service of reception and transmission of client orders in relation to one or more financial instruments and discretionary portfolio management.
- It defines the Entity's general principles for managing the orders received from clients and the process of decision making and execution of said orders, within the provision of the discretionary and

individualized management of investment portfolios service and the service of execution of orders on behalf of client

Best execution will be determined by the relative importance of the factors set out in the Best Execution Policy, and will depend on the characteristics of the type of client, the order to be executed, the type of financial instrument and the market in which it is traded. In Annex II of this document, you can find the details of the execution venues used by the Entity for each type of financial asset.

On certain occasions, situations may exist in which orders are accumulated, and although the entity has the necessary systems in place not to harm the client in the assignment of orders, there is a risk that in some cases a client may be harmed in the assignment made.

COMMUNICATION OF POLICY TO CUSTOMERS

The Entity will inform the clients at the moment the contractual relationship with ANDBANK is initiated that this Policy is available at:
https://www.andbank.com/andorra/informacion-legal/cumplimiento-normativo/

OBTAINING CUSTOMER CONSENT

The Entity will obtain the prior consent of the clients to this Policy. This consent will be obtained in a general or particular way for each operation

In addition, the Entity must inform clients and obtain their prior and express consent in cases where it executes orders outside regulated markets and multilateral trading systems, as well as the potential risks inherent in the accumulation of orders.

ANNEX I: GENERAL INFORMATION. NATURE AND RISKS OF FINANCIAL INSTRUMENTS

1. Fixed Rate and Hybrid Instruments

Fixed-income assets are: "a broad range of marketable securities issued by corporations and public institutions, representing loans that these entities receive from investors". Thus, fixed income does not confer political rights on its holder, but only economic rights, including the right to receive the agreed interest and the return of all or part of the capital invested on a given date, depending on whether it is straightforward fixed income or not. A fixed-income investor becomes a creditor of the issuing company, while the shareholder owns part of the capital

Risk Factors and Scenarios

Fixed-income assets are subject to a number of risks that must be properly assessed by the investor, as they may result in the total or partial loss of the investment.

The main risks that can affect a fixed-income security are listed below.

Risk of price changes due to interest rate fluctuations.

The risk of price change, which in principle affects almost all financial instruments, means that when the investor wishes to sell the asset, the price he obtains from the sale will be lower than the price at which he initially acquired the asset.

In the case of bonds, this risk is linked to interest rate movements since, as indicated above, a bond asset is a loan that the investor makes to the issuer.

When an investor acquires a fixed-income security with a maturity date later than the date on which the investor wishes to sell that asset, he must sell it on the secondary market. If, during the time the investor has held the fixed-income security, interest rates have risen, selling the security will provide a lower return than expected at the time of acquisition of the security and may even result in a loss.

On the other hand, if during this time, interest rates have fallen, the sale will provide you with higher returns than those initially expected at the time of acquisition of the security.

However, this positive effect in the event of a fall in interest rates is usually much less for fixed-income securities with associated variable-rate investor remuneration, since the periodic payments of this remuneration (also called coupons) usually already incorporate changes in interest rates.

The likelihood that the price of a fixed-income security will be affected by changes in interest rates is measured by the duration, i.e. the average life of a fixed-income security, which is calculated by taking into account the number of outstanding coupons, their frequency of payment and amount, as well as the investor's other income over the life of the security.

This is a very important concept for estimating the risk involved in a given security. A longer life implies greater risk, since the sensitivity of the security to increases or decreases in interest rates increases.

Credit risk or insolvency of the issuer

This risk is the possibility that the issuer of a security may be unable to meet its payment obligations, either for the coupons or for the repayment of the principal when the security becomes due, or that it may assume them but late, i.e. after the dates on which they were due.

The issuer of a fixed income security may be, as indicated above, either a private company, a financial institution, a State or a public body.

When the issuer of the security is a State, the credit risk is also called the country risk. On some occasions there have been cases in which a country has suspended the payment of interest on its public debt.

In a normal market context, issues by the major OECD states are considered to be credit/country risk free assets. Provided that such securities are not sold before their maturity date, the risk of loss in value is lower under normal economic and political circumstances. However, if before the maturity or redemption date, the securities are sold on the secondary market, this will result in the price that the market is willing to pay at that time, which may be lower than the price that would be obtained in redemption.

Unlike securities issued by public bodies, fixed-income issues by private issuers, regardless of their creditworthiness, carry a higher risk; hence these issues usually offer higher returns.

The credit rating of the issuer, i.e. its level of solvency as measured by the specialized agencies, must be consulted prior to making the investment. This rating measures the credit quality and financial strength of the issuer, whether private issuers, governments or public authorities.

The aforementioned rating agencies give credit ratings to both the issuers and the issues themselves, and on occasion the rating of the issuer may differ from that of the issue.

A credit rating is never a recommendation to buy, sell or subscribe to securities. A credit rating may be suspended, modified or withdrawn at any time by the rating agency that gave it.

The basic criterion used to assess the creditworthiness of an issuer is usually the issuer's ability to generate profits in the future and, therefore, to meet its payment commitments.

The credit rating of certain types of issues, such as securitizations, may be linked to the issuer's offer of additional guarantees.

When an issuer becomes insolvent (bankruptcy), the rating of the issuer's issues must be known and may not be the same, some having priority over others (seniority and order of priority of the credits in bankruptcy).

In the event of bankruptcy or declared insolvency of the issuer or guarantor of an issue, the order of priority of claims will not necessarily coincide with the order of recovery in collection (seniority) established in the issue prospectus itself.

Holders of subordinated debt, preference shares and preference shares would be entitled to collect and therefore recover all or part of their investment once the claims of the preferred and ordinary creditors have been satisfied in accordance with the insolvency law in force in the issuer's country of residence; that is, after all other non-subordinated creditors have been collected and only before the ordinary shareholders. For this reason, in the case of issues of subordinated debt, preference shares and preference shares, the credit risk and therefore the total or partial loss of the investment is greater.

Fixed-income issues by issuers with lower ratings, since they entail greater risk, usually offer higher returns (risk-return ratio).

Risk of absence of trading market and lack of liquidity:

The risk of lack of liquidity is the difficulty that an investor who wishes to sell, in order to obtain cash, the financial instrument purchased, either because there is no trading or reference market on which he can easily or quickly unwind his position, or because there is no demand on the reference market for that instrument in the short term or at the time the investor wishes to sell it. As a general rule, financial instruments traded on organized markets are more liquid than those not traded on such markets.

The Issuer of the securities cannot ensure that a market can be created or maintained for the trading of these securities, nor that there will be a regular price and/or valuation of them.

Consequently, there is a possibility that this type of financial instrument may be illiquid, i.e. that the holders of such instruments may find it difficult to sell them and may be forced to hold the financial instrument until maturity if any.

In the event that there is no trading market but there is a third party willing to acquire that financial instrument, the sale price will be that offered by that third party, if accepted by the holder who wishes to sell. That price may not reflect the market value of the product, it may be lower than the nominal value of the financial instrument or the purchase price initially paid by the holder.

Consequently, the risk of lack of liquidity may lead to a lower price when selling the financial instrument, if the holder is forced or wants to make the sale quickly.

Risk due to limitations on remuneration:

There are risks that may adversely affect the remuneration payable to holders of debt instruments, known as coupons.

These risks may vary and affect remuneration to a greater or lesser extent, depending on the type of issue concerned.

Factors that may adversely affect the payment of the remuneration set out in an issue include

1) the lack of sufficient distributable profits of the issuer to meet the payment
2) the existence of regulatory (legal) restrictions

3) the need to meet in advance the payment of other obligations of higher rank (seniority),
4) the issue has provided for the payment of the remuneration to be at the discretion of the issuer and not required to be paid by him if he considers that it is likely to affect his financial position and solvency
5) the issue itself places restrictions on the payment of remuneration

If the holder of this type of financial instrument does not receive the agreed remuneration in full from the issuer on any of the dates established for this purpose (the coupon payment dates), for example, due to a lack of distributable profits from the issuer, it may not recover the part not received, even if the issuer were to generate distributable profits again after the coupon payment dates.

Risk of non-depreciation or conditional depreciation

Some fixed-income issues do not have a maturity date, i.e. there is no fixed date on which the issuer is obliged to return the investment to the investor. These issues are perpetual.

Some of these issues, whether perpetual or with a maturity date, have established possible early redemption dates, i.e. dates on which the issuer can return the investor's investment. However, the issuer is not obliged to make the redemption on these dates, and if it does, it will do so in accordance with the terms and conditions of the issue itself. This may imply that the investor is obliged to maintain his investment for a long time.

Exchangeable or convertible bonds give the holder the right to exchange them for shares in the issuer on a given date (exchange or conversion). On that exchange or conversion date, the investor has two alternatives: to exercise the exchange or conversion option, provided that the price of the shares offered for exchange or conversion is below their market price; or to hold the bonds until the date of the next exchange or conversion option or until maturity. There is also a type of convertible bonds known as "necessarily convertible" in which the holder cannot renounce the exchange or conversion, which must be carried out on the date(s) foreseen in the issue in accordance with the established exchange equation formula.

These financial instruments therefore depend on the price of another financial instrument of the same issuer listed on the equity market, and therefore the holders of these instruments are exposed to equity market risk, even though the instrument they hold is not equity. This translates into a risk that the investor will be disadvantaged by the price of the shares at the time of conversion, and this exchange may generate losses.

Other circumstances that may affect the price:

The price of fixed income securities is exposed to various other factors, in addition to those mentioned above, which may have an adverse effect on it and therefore add risks to the product, which may lead to losses. These factors include, inter alia, a decline in the issuer's rating, adverse developments in the issuer's business, failure to pay issue returns on the agreed dates, and exchange rate fluctuations in issues denominated in foreign currencies.

Reinvestment risk:

If the asset acquired generates coupons or cash flows prior to the maturity date, the interest rate at which they can be reinvested until maturity is not known. The initial return will have been calculated assuming that these coupons are reinvested at the same rate, so that if this reinvestment were to be at a lower rate the total return would also be lower.

Scenarios for possible developments in non-complex fixed income

In the possible positive and negative scenarios for the evolution of a fixed income investment, one must consider:

a) If the investment is maintained until maturity, in which case the amortization will be for the nominal value of the securities that would be compared with the acquisition price of the same.
b) Changes in the valuation of the asset, before the date of redemption, on the basis of the interest rates and duration of the instrument concerned and the other risk factors mentioned above, on the basis of the purchase price of the securities by the investor
c) The amount of the coupons that may be received. The worst-case scenario for a fixed-income investment is that of losses for the investor, which may occur in the event of a continuous rise in interest rates and other negative events relating to the issuing institution and/or its market, in view of the customer's need to sell early on the maturity date. The longer the term of the securities, the

greater this effect on the price of the security. The optimum scenario is that in which the valuation of the instrument exceeds the nominal due to a fall in interest rates and therefore implies an additional income to that of the coupons to be received, in the event of sale before maturity.

The neutral scenario for an investor is the perception of coupons and redemption at maturity for the nominal value of the securities.

Types of Fixed Income Instruments

Public Debt

These are fixed-income securities, issued by the State and other public bodies. In general, they are liquid securities with lower credit risk than private fixed-income instruments. Depending on the terms and characteristics, there are different types of government debt.

Mortgage bonds

These are fixed-income securities issued exclusively by credit institutions, and backed globally by their mortgage loan portfolio.

They are usually long-term issues and have different modalities in terms of interest rate and redemption conditions. Specifically, the issuing institution reserves the right to redeem part or all of the issue early during its life, in accordance with the provisions of the Law regulating the mortgage market in which it was issued.

Corporate or Private Fixed Income (Bonds and Obligations)

Bonds and debentures issued by companies are medium- and long-term fixed-income securities. Their characteristics can vary considerably from one issuer to another, and even for different issues of the same company. These differences may include the maturity date, interest rate, frequency of coupons, issue and redemption prices, redemption clauses and other issue conditions, as well as convertibility options if any, priority of rights in the event of liquidation, or guarantees offered, among others.

In conclusion, at least the following factors should be assessed prior to the purchase of a fixed income product:

1) Category of the issue in case of insolvency: guaranteed, senior or subordinated bonds,
2) Duration and maturity
3) Coupon type: fixed, floating, or referenced
4) Type of redemption: at maturity, perpetual or exchangeable or necessarily convertible bonds
5) Trading market

Hybrid instruments

They are considered complex products (MIFID). Therefore, the assessment of the suitability of these instruments for the acquisition of retail customers is necessary.

2. Money Market Instruments

Money market instruments are short-term assets that are usually traded on the money market and have a maturity of one year or less.

Money market instruments are considered to be non-complex products.

Risk Factors and Scenarios

The risk factors and scenarios associated with money market instruments are the same as those described in the previous section.

Types of Money Market Financial Instruments

Commercial Paper

These are fixed income securities with zero coupon issued at a discount, so their return is obtained by the difference between the purchase price and the nominal value of the promissory note received on the redemption date. They are short term, and usually have maturities between 3 days and 25 months.

The placement of the promissory notes in the primary market is carried out either through competitive auctions in which the purchase price is determined, or through direct negotiation between the investor and the financial entity.

Although it is an investment suitable for retailers, it is important to consult the information disseminated by the markets on issues, prices, volumes and cross operations, and to analyze whether the liquidity of the security is adequate for the specific requirements that the investor has set for it.

3. Equity

The main equity instrument is shares, where it is not possible to know with certainty the return that will be obtained from the investment, both the price at which they can be sold and the dividends to be received during their holding period are uncertain.

Other equity instruments are pre-emptive subscription rights.

Shares admitted to trading on a regulated market are considered to be non-complex products.

Shares that are not listed or quoted on a regulated market are classified as complex products.

Risk Factors and Scenarios

It should be noted that risk, as an inherent feature of equity securities, means uncertainty, and this implies the possibility, not only of obtaining lower returns than expected, but also, and with the same probability, of obtaining higher returns. This translates into the possibility of total or partial loss of the investment made in shares.

Risk due to changes in share prices:

The price of a share depends at all times on the valuation that market participants make of the issuing company.

This valuation depends on various factors. The main ones are the expectations about the future profit of the company and its growth rate.

Other factors, such as expectations of various macroeconomic indicators, investor confidence, exchange rate trends in shares listed in other currencies, etc., as well as economic, political and other news affecting the financial instrument markets, the financial system and the economy in general, also play a role.

Naturally, the current value of these expectations varies constantly, and as a consequence so do the volumes of securities offered and demanded at each price. The result is that the prices at which orders are crossed change throughout the trading session, and from one session to another. In addition, certain corporate events will also influence the share price, including dividend payments, public offerings for the purchase or sale of shares or capital increases. Downgrades in a company's credit rating also have a negative impact on its share price.

In general, when talking about the risk of a listed company (depending on the source), only price risk is considered, since it is understood that all other risks are already included in this risk.

In this sense, it is possible to calculate the past risk of a security or an index by measuring volatility.

Interest rate risk

In general, expectations of interest rate rises generate falls in prices because:

- Fixed-income securities, which generally carry less uncertainty for the investor (i.e. less risk), offer higher returns, which can trigger a shift of funds from equity positions to fixed-income.

- They raise the cost of financing for companies, so lower future returns are expected.

Risk of lack of liquidity:

Shares can be differentiated according to the market where they are listed. Regulated markets facilitate the trading of the securities and therefore the liquidity of the securities, allowing shareholders to easily dispose of their positions.

However, there may be circumstances which limit such liquidity, such as the suspension of a company's listing for a period of time or the delisting of certain companies from the stock market, in which case shareholders would lose the ability to sell in the market.

In general, "narrow" securities are considered to be the least liquid. This can be influenced by various factors, including a company's market capitalization (number of shares listed multiplied by their price) and its depth (supply and demand for a company's shares trading on a particular market).

Given the broad casuistry of equity markets, regulated or not, as well as possible multilateral trading systems, the possibilities of alterations in the liquidity of the securities are diverse. In any case, it should be remembered that the risk of a lack of liquidity may lead to a penalty in the price obtained by undoing the investment.

Risk in remuneration:

Remuneration in equity can be understood in two ways, one by the difference between the purchase and sale price and is therefore exposed to the risks already described in the evolution of share prices, and the other by the company's policy on remuneration via dividends. The dividends paid by each company will depend on its profits and growth expectations.

Pre-emptive subscription rights are treated differently depending on whether they are acquired for the purpose of completing the rounding off determined in the capital increase in question, in which case they are considered to be non-complex, or whether they are acquired for the purpose of acquiring additional rights, in which case they are considered to be complex.

Shares that are not listed or traded on unregulated markets are classified as complex products and it is therefore necessary to assess the suitability of these products for retail customers in the event of their being marketed.

In financial events, these attributes are communicated to the client in the general description of the nature and risks of the product (Scrip dividend, capital increases, exchanges...) which is given to the client before contracting the product.

Pre-emptive subscription rights acquired for the purpose of attending a capital increase and which do not correspond to the securities previously held or those required for rounding off are considered to be complex instruments.

Scenarios for possible developments in equities

In the possible positive and negative scenarios for the evolution of an investment in shares, it is necessary to consider

a) The positive or negative fluctuation of the quotation from the acquisition price of these securities by the investor,

b) The amount of dividends that may be received,

c) The impact of possible financial events (share subscription premiums, sale of pre-emptive rights in capital increases, scrip dividend, etc.) that include an income for the client but may affect the valuation of the share.

The worst-case scenario for an investment in equities is one in which the investment is totally lost, in case the share price reaches zero. This extreme situation can occur in the event of an insolvency proceeding or in the event of a resolution by the entity issuing the shares.

The optimal scenario is one in which there is a continuous upward trend in the share price, together with a sustained dividend payment by the listed company. However, the intrinsic volatility of the equity market must be considered in order to understand that the share price fluctuates and a time horizon for the investment must be established to assess whether the performance has been as expected by the investor.

Within the range between the two described scenarios (which correspond to what would be considered the most unfavorable and favorable type of scenario, respectively), there are intermediate scenarios characterized in any case by the high volatility of the shares and the existence of rises and falls in the price, more or less continuous and of greater or lesser intensity, depending on the different factors that end up impacting the price, both of a macroeconomic and sectorial nature and specific aspects of the entity issuing the share.

4. Collective Investment Schemes (IICs)

The variety of collective investment schemes is very wide both by markets in which they invest, sectors, geographical areas, types of assets, currencies etc. in which they invest. Their results will depend on the management that is carried out and may lead to losses on the investment made.

The characteristics of the UCI in question and its management style are set out in the prospectus to be deposited with the regulatory body of the country of its manager. The Key Investor Information Document (KIID) provides an understanding of the essential characteristics, nature and risks of the UCI and enables informed investment decisions to be taken.

Collective investment schemes are considered to be either investment funds or open-ended investment companies

In general, the UCITS are considered to be non-complex products, so there is no need to assess suitability when a client applies to the institution on his own initiative.

Units and shares of structured UCIs are considered to be a complex product. In the case of non-European or non UCITS, they will generally be considered as complex, although where there are frequent possibilities of repayment at public prices, they may not involve losses exceeding the amount invested and there is sufficient public information on their characteristics, they may be considered as non-complex.

Hedge funds, real estate funds and venture capital funds are classified as complex products, and their suitability for retail customers must be assessed if they are to be marketed.

Risk Factors for Undertakings for Collective Investment

The nature and extent of the risks will depend on the type of UCIs, their individual characteristics (defined in the prospectus) and the assets in which the assets are invested.

Consequently, the choice between different types of UCIs should be made taking into account the saver's ability and desire to take risks, as well as his investment horizon.

Net asset value risk

Knowing the composition of the portfolio and the investment vocation of the fund is fundamental, because it allows the investor to get an idea of the risk assumed, according to the percentages of investment in each type of financial asset, in euros or in other currencies, in one or another geographical area, etc. The performance of the portfolio will determine the net asset value at which a client can reimburse his investment in the fund.

In general, the following observations can be made:

By its very nature, equity investment is generally more risky than bond investment, but losses may also occur in the latter, and the investor should be aware of this fact.

Some UCIs, due to their investment policy, may hold in their portfolio securities that incorporate greater credit or counterparty risk.

Investment in emerging country securities, both fixed income and equity, may also add risk to the fund.

Investment in assets denominated in currencies other than the euro involves a risk, known as currency risk, arising from possible fluctuations in exchange rates.

It should also be borne in mind that when the UCI invests in securities which are not traded on regulated markets, an additional risk is assumed since there is less control over the issuers. Furthermore, the valuation of these assets is more complicated, as no market target price is available.

Leverage risk

CIUs investing in financial derivative instruments (futures, options) may incorporate higher risk, due to the intrinsic characteristics of these products (e.g. leverage). It is therefore possible that losses in the portfolio will be multiplied, although gains could also be multiplied.

However, it should be noted that some UCIs use derivatives exclusively or primarily for the purpose of reducing the risks of the cash (hedge) portfolio; in the description of the investment policy, which is set out in the prospectus, it should be indicated whether the derivatives will be used for investment or hedging purposes.

Risk of lack of liquidity

In assessing liquidity risk it is essential to consider the frequency of publication of the net asset value, the possible existence of notice periods for the request for redemptions and the possible existence of settlement periods for the redemptions requested. All these details are set out in the fund's prospectus.

Most of the UCIs considered as UCIT III / IV have a daily net asset value, have not established notice periods for redemptions and their settlement is quite agile, so they are not affected by this situation.

Other aspects to be considered in the liquidity is the possibility of "closure" of a fund, in which case the unit-holder must maintain his investment in the fund until redemptions can be made again. Other aspects to consider in the liquidity is the possibility of "closing" a fund, in which case the participant must maintain its investment in the same until new redemptions can be made.

In the case of SICAVs, the obligation to hold a minimum amount of capital may sometimes lead to delays in making the redemptions requested.

Currency risk

It can be considered in two ways. If the investments made by the CII are denominated in a currency other than that used for the calculation of the net asset value, the fluctuation in their prices will directly influence the valuation.

On the other hand, in the case of CIIs whose net asset value is denominated in a currency other than the reference currency of the investing client, the latter assumes additional risk in the event of an adverse evolution of that currency.

Types of Collective Investment Institutions

The variety of ICOs is very wide, however we make some special mentions because of their greater importance or special characteristics.

UCITS Collective Investment Schemes

These are Collective Investment Schemes that are harmonized at European level and are therefore subject to regulations that establish limitations and obligations regarding the management and control of investments. These measures aim to provide greater protection to investors.

Collective Investment Schemes of hedge funds

They are characterized by greater flexibility in making their investments, which sometimes goes hand in hand with less transparency; their borrowing capacity, which if not properly controlled can become high, and less liquidity by setting specific notice periods for subscriptions and redemptions and settlement periods.

They are subject to risks of a different nature and degree from those of ordinary collective investment institutions. Their development may be unrelated to the trend in equity or fixed income markets.

A distinction can be made between those who take positions directly according to the alternative management strategy or strategies they wish to develop, and those who invest in other hedge funds. The latter are the so-called funds of hedge funds.

Due to their special operation, this type of UCI is not advisable for clients who do not have sufficient financial knowledge and experience to fully understand their characteristics and risks.

Real Estate Funds

These are collective investment schemes whose investment is in real estate and which therefore depend on the evolution of this market. Also, as this is a less liquid market than the financial markets, the frequency of calculation and publication of net asset value is lower and the possible dates of redemption are also shorter.

Private Equity Funds

They are organisms that take direct positions in businesses or companies with a long-term business investment vocation. For this reason, their liquidity is normally limited until the scheduled repayment dates. Sometimes investors also make additional commitments at the beginning of their investment.

5. Derivatives

Derivatives are financial instruments whose value is derived from the evolution of the price of another asset, called the "underlying". The underlying can be very varied: a share, a basket of shares, a fixed income security, a currency, commodities, interest rates... In general, a derivative is a forward contract in which all the details are established at the time of the agreement, while the actual exchange takes place at a future time.

These are complex products which in some cases carry a risk of total loss of the investment and in other cases involve the assumption of commitments which may involve losses. Investing in them therefore requires

specific knowledge, both of the products and of the operation of trading systems, as well as a high willingness and ability to take high risks.

Investment in derivative products requires financial knowledge, sound judgement and constant position monitoring.

Derivative products can be used for a variety of purposes. On the one hand, they can be used to limit all or part of the risk of loss of a portfolio or a fund; on the other hand, they can also be used to add risk to an investment (by betting on the future value of an underlying) in order to achieve higher returns.

A characteristic common to all derivative products is the leverage effect, which defines the relationship between the capital invested and the result obtained. For the same amount, the possible gains or losses obtained from derivatives operations may be greater than those that would be obtained if the underlying assets were traded directly.

Among the derivatives the main differentiation is given by those that are quoted in an organized market or not, in this last case they are called OTC (Over the counter).

Risk Factors of Derivatives

All derivative products carry a high risk. Even those whose purpose is to hedge another position, the derivative taken in isolation involves risk. The risk factors are multiple and therefore derivatives require constant monitoring of the position. Some of these risks are listed below:

Interest rate risk

This is one of the variables that directly affect the valuation of derivatives and therefore the evolution of interest rates will fluctuate their price or valuation.

Underlying risk and volatility and other factors

Every derivative is referenced to an underlying that can be indexes, inflation rates, stocks, exchange rates, interest rates, commodities, etc. The evolution of this underlying in the trading market affects the evolution of the price or valuation of the derivative and its result at maturity, which may lead to the partial or total loss of the investment.

The volatility of the underlying is vital in calculating the price or valuation of these assets. The higher the volatility, the greater the possibility of profit, but also the greater the risk of loss.

Furthermore, in the valuation of derivatives, in addition to the evolution of the underlying, the evolution of volatility and interest rates, already mentioned, other factors intervene such as the passage of time and/or currency exchange rates. The effect of these factors has to be analyzed together, so it is possible that, despite the favorable evolution of the underlyings, the value of the financial derivative at a given date may be reduced as a result of the negative evolution of one or more of the other factors.

Credit/Counterpart Risk

In those OTC derivatives where the opposite position assumes obligations upon maturity of the derivative, there is a risk that it will fail to meet its obligations and produce a financial loss for the customer.

In the case of OTC derivatives, there is a clearing house that interposes itself between the contracting parties and subrogates to the obligations of the participants, limiting this risk, which becomes dependent on the clearing house.

Liquidity risk

In the case of derivatives on the organized market, they are quoted in such a way that a position can be unwound at public prices, giving liquidity to the position. In the case of OTC derivatives, the possibility of undoing the position falls to the counterparty with which the derivative was closed and the agreement previously reached.

Leverage risk

As noted above, leverage is an intrinsic concept in derivatives, allowing gains to be multiplied but also possible losses, when these are not limited by the type of derivative in question.

Risk of assuming additional financial commitments

Depending on the type of derivative in question, the position to be taken may directly imply that financial commitments are assumed on maturity of the derivative, so that on that date the holder has to meet those commitments.

For this reason, guarantees are required on organized markets and must be deposited in accounts opened for this purpose, when the position taken involves obligations.

Number of days to maturity risk

The passage of time detracts from the value of the options. Therefore, as the expiration date approaches, the value of the option may be lower for this reason.

Types of Derivatives

There is a wide variety of types of derivatives whose possible underlying, complexity and heterogeneity make it impossible to cover all possibilities in this section.

Futures

A future is a contract, whereby the parties agree to buy and sell a specific amount of a security (underlying asset) at a predetermined future date, at a price agreed in advance. In other words, these are forward contracts whose object is instruments of a financial nature (securities, indices, loans or deposits, etc.) or commodities (i.e. goods; these may be agricultural products, raw materials, etc.).

From a subjective perspective, the buyer of futures takes a long position since he would be entitled to receive the underlying at maturity (if it were settled by physical delivery), whereas the seller of futures takes a short position since he undertakes to deliver the underlying at maturity (if it were settled by physical delivery), in return for the price set out in the contract.

Futures may be traded on organized or over-the-counter markets, in the latter case they are known as OTC (over-the-counter).

Futures can be settled by physical delivery or by offsetting.

Trading in futures requires constant monitoring of the position. They carry a high risk if not managed properly. Under certain circumstances, it may involve losses in the client's portfolio.

Special mention is made of **currency exchange or forward exchange insurance**, which are agreements between two parties to buy or sell a specific amount of a currency at a specified price at a future date. There is no exchange of funds at closing, only on the maturity or exercise date.

Options

An option is a contract that involves a right or obligation to buy or sell a certain amount of the underlying asset, at a specified price (exercise price), within a specified time period.

Options may be traded on organized or over-the-counter markets, in the latter case they are called OTC (over-the-counter).

Options can be settled by physical delivery or by offsetting. Options trading requires constant monitoring of the position. They carry a high risk if not managed properly. The value of the premiums can vary greatly in a short time. Under certain circumstances, part or all of the investment may be lost.

The price of the option depends on various factors: the market price of the underlying at any given time (share, index, interest rate, currency, etc.), the option's strike price, the volatility of the underlying, the risk-free interest rate, the time remaining until maturity, and other factors depending on the nature of the underlying (the dividend in the case of options on shares or indices, or the interest rate differential between currencies, for options on exchange rates).

Depending on the right they grant, we can distinguish between call options, which give the buyer the right (but not the obligation) to acquire the underlying at a certain price, on the established expiration date, and put options, which give the purchasers of this type of options the right (but not the obligation) to sell the underlying at a fixed price, on the expiration date.

Depending on when they can be exercised, there are American options, which can be exercised at any time up to the expiry date, and European options, which can only be exercised on the expiry date.

The price of the option is what the buyer pays to obtain that right, and is called the premium. On the expiration date, the buyer will either be interested in exercising it or not depending on the difference between the price set for the transaction (strike price) and the price of the underlying on the spot market at that time.

Exceptionally, when the options are of the American type, the exercise of the option may occur at any time during the life of the product and when they are of the Bermuda type, this exercise may occur at certain times during the life of the product.

In the case of purchased options, the loss is limited to the full premium paid. In the case of sold options, the loss may be unlimited.

Swaps

These are swaps or agreements between two parties, whereby they mutually agree to exchange assets or cash flows within a previously agreed period and subject to previously established conditions, where any variable has an uncertain evolution.

We can distinguish, among others, the swaps in:

- Interest rate swaps (IRS);
- Variable Interest Rate Swaps (Basis Swaps);
- Currency Swaps.
- Inflation Swaps.
- Credit Default Swaps.
- Mixed currency and interest rate (Cross-Currency Rate Swaps);
- Commodity Swaps
- Equity Swaps / Equity Index Swaps
- Of any type traded on the financial market

Warrants

A warrant is a negotiable security that incorporates the right to buy or sell an asset (underlying) at a specified strike price. It is therefore a derivative product.

Trading in warrants requires constant monitoring of the position. They carry a high risk if not managed properly. The value of the premiums can vary greatly in a short time. Under certain circumstances, part or all of the investment may be lost.

There are call and put warrants: the former give the holder the right to buy the underlying at the strike price, if the price of the underlying (settlement price) is higher than the strike price, the contract will be settled by crediting the holder with the resulting difference, while in the case of sale warrants the holder acquires the right to sell the underlying at the strike price.

If the settlement price is lower than the exercise price, the contract will be settled by crediting the holder with the resulting difference.

The price of the warrant depends on different factors as we have indicated in the case of options. The main advantage, and at the same time the greater risk of investing in warrants, is the leverage effect, which generally characterizes derivative products as the price fluctuations of the underlying induce higher percentage variations in the value of the premium.

In return, price developments that do not meet expectations can lead to the loss of the entire investment. Leverage also indicates the number of call or put rights that can be acquired for the price of a unit of the underlying.

The underlying assets can be very diverse: there are warrants on equity securities (shares or basket of shares), traded on Spanish or foreign markets; warrants on domestic or foreign indices, on interest rates, currencies, commodities, etc.

Depending on the exercise possibilities, the warrants can be of American type (it is possible to exercise them during the whole life of the warrant, until maturity) or European type (they can only be exercised on the maturity date).

Certificates

They are derivative products, and as such incorporate a high risk. They contain a bet on the evolution of the price of an underlying asset. They can generate positive returns, but if the asset develops in a manner contrary to that expected, it is possible that no profit will be obtained, or even that part or the entire amount invested will be lost.

Their essential characteristics vary according to the terms and conditions established by each issuer: the underlying on which they are issued and, where appropriate, the practical rules for replacing it, the term, the issue price, the mechanism for calculating the return. As these are very heterogeneous securities, it is necessary to consult the issue prospectus, registered with the relevant regulatory body, in order to find out about the specific product.

They can be issued in perpetuity; in this case, subscribers have early redemption options.

The return for the investor consists of the gain or loss arising from the difference between the issue or acquisition price of the certificate and its price at the time of its exercise, sale or early redemption.

6. Structured or Referenced Products

These are complex products that combine a position in a fixed income financial instrument or deposit with a derivative linked to different underlying assets. Their performance will therefore be conditioned by the structure used which is determined by the combination of the two positions and by the type of derivative in question.

They make it possible to limit the risks in an investment with that combination of derivative products and/or fixed-income instruments, designing investment and financing operations tailored to the risk/return profile of the investor or issuer.

Given the variety of these instruments and the high number of factors that influence the evolution of the value of the structured product as well as its final result, it is important to know the content of the prospectuses of these products that include in greater detail the characteristics and possible risks that could affect these financial products. We refer to the base prospectus in the case of structured bond issuance programs and the final terms of each issue, and to the structured investment fund prospectuses that are registered with the regulation in the manager's country.

Risk Factors of structured or referenced products

These are high risk products, which may generate a higher return than lower risk assets at the same term, but may also produce partial or total losses of the invested principal.

Given the existence of a derivative in the composition of the structured product in this investment, the risks outlined in the section on Risk Factors in Derivatives must be taken into account.

As it also includes a fixed income asset in its structure, it is also affected by the possible risks described in the section on Risk Factors in Fixed Income.

By way of illustration, and without this list being exhaustive, we can point out that the main risks would be: risk of evolution of the underlying asset, risks due to insolvency of the Issuer or Guarantor, economic and political risks and risks of all kinds that affect the markets of financial instruments, the financial system and the economy in general.

Any of these factors are contingencies that may occur, which could adversely affect the investment.

Special mention should be made of the following risks, which are not expressly covered in the previous sections:

Issuer risk and guarantor risk

In the case of structured financial liabilities and structured bonds or notes, where the activities of the Issuer and, where applicable, the Guarantor, are related to the financial sector, the ability of the Issuer and/or, where applicable, the Guarantor, to meet and discharge their obligations may be affected by (1) the inability of third parties to meet their obligations to the Issuer and/or, where applicable, the Guarantor, including risks related to the credit quality of the borrowers, as well as by (2) the behavior of the group to which it belongs and the risks inherent therein, (3) risks associated with liquidity and financing, (4) fluctuations in interest rates, foreign exchange rates, bond prices and share prices, (5) operational risks (related to data processing, financial, accounting, electricity network failures, telecommunications or computer systems), among others) and (6) the risks associated with increased competition in the financial services sector, as well as for the

possible conflicts of interest that could arise if the Issuer and/or the Guarantor were, at the same time, Calculation Agent and/or distributor of the investment undertaken.

The credit ratings of the Issuer and the Guarantor may not reflect all risks. One or more credit rating agencies may assign a rating to the issue of which a bond or note is a part. These ratings may not reflect the potential impact of all the risks related to the structure, market and other factors considered or not considered above that may affect the value of the financial product. A credit rating does not constitute a recommendation to buy, sell or hold the bond(s) and may be reviewed or withdrawn by the rating agency at any time.

The Issuer and/or the Guarantor may intervene as a party in contracts with third parties who have agreed to provide services in relation to the structured financial product (such as between other payment agents and settlement and clearing entities). In the event that such third parties fail to meet their obligations, the Issuer and/or Guarantor may be unable to meet its obligations in respect of the purchased financial product.

Pre-sale risk

In the event that the principal of the product is guaranteed at maturity by the Issuer and/or the Guarantor, the investor in this type of asset must assume that if the product is disposed of at a date prior to the maturity date, the invested principal may not be recovered, nor will any return be obtained, since the guarantee of recovery of principal exists only at maturity, provided that the Issuer and, if applicable, the Guarantor meet the payment.

A similar situation exists in the case of guaranteed investment funds, whose guarantee is only on the maturity date, under the conditions stipulated in the prospectus.

Hedging risk

In issues of this type of financial product, the Issuer, the Guarantor and/or any of their respective subsidiaries or other parties may enter into one or more hedging transactions relating to the underlyings, which could affect the market price, liquidity or value of the financial product and which could be considered to be adverse to the interests of customers.

Types of structured or referenced products

We can classify these products according to the investment vehicle in question:

- Mutual funds,
- Bonus or note
- Financial Liabilities

They can also be classified according to the type of structure they incorporate. Depending on their structure, and the percentage of return of the principal, they can be:

Guaranteed products

They establish guarantees for the total or partial recovery of the invested capital: at maturity the investor will receive at least the investment made or the percentage of it that has been guaranteed.

This guarantee may be affected if the conditions set out in the issue prospectus are not met, or in a situation of bankruptcy of the issuer or guarantor in the case of bonds or structured notes and financial liabilities.

However, they do not necessarily guarantee an additional return, but this will depend on the development of the underlying of the product and the particular conditions of each of the structures.

Non-guaranteed products

They can lead to losses of the invested principal. They are products specifically designed considering the binomial profitability / risk, and that respond to specific market expectations. Among many others:

• Coupon products: They efficiently provide attractive coupons in specific market situations, and can even benefit from side markets or even bear markets.

- Participation products: Their result is directly linked to the behavior of an underlying (indexes, securities, etc.) in a more efficient way than investing separately in the underlying.

- Leverage products: They allow obtaining similar yields to the underlying, without having to pay the cost of the same, being able to contribute a smaller amount thanks to combinations of options, financing, etc.

7. ETFs, ETNs and ETPs

These are complex products (with the exception of harmonized ETFs), funds, notes and exchange-traded products. Due to their heterogeneity and the possibilities of using derivatives, they can become highly complex, in which case they require extensive financial knowledge and special vigilance on the part of the investor.

An ETF or exchange-traded fund is a fund that can invest like other IICs in different markets and types of assets. They offer a wide range of possibilities for diversification in sectors, geographical areas, underlying assets and strategies on them, but adding some characteristics of listed shares.

Their main features are (i) liquidity by being listed on a secondary market and having market makers offering quotes, (ii) diversification by allowing access to a wide range of asset types and strategies, including downward betting on an index or asset (inverse) and leverage, (iii) flexibility by allowing trading as long as the market is open with a quoted price at any time and with price limits.

ETN exchange-traded note and ETP exchange-traded product are similar to ETFs in terms of their characteristics, but can add complexity in terms of the type of assets in which the investment is made. In general, we can say that ETNs are exchange-traded notes or structured products. ETPs have a wide variety and use various other legal structures to materialize their investment, including commodity baskets. Therefore, an important difference with ETFs is the different tax and legal treatment that ETPs and TNCs may have in different jurisdictions

In general, ETFs, FTE's and TNC's are considered complex products. It is therefore necessary to assess their suitability for retail customers if they are to be marketed.

The exception is ETFs which have the UCITS classification and which, therefore, being subject to the control rules implied by European harmonization, can be considered as non-complex products, when they are neither inverse nor leveraged.

Risk Factors for ETFs, TNCs and ETPs

Liquidity and trading price risks

The agility of the sale will depend on the supply and demand for the particular ETF at any given time and may involve significant price discounts on its net asset value.

When ETFs are traded in the market, discounts and premiums may be given on the fund's net asset value, which means that in the event of a sale it may be below that value.

In those ETFs, ETPs or ETNs that incorporate derivatives, especially in commodities, the lack of liquidity of these positions may affect the liquidity of the ETF, ETP or ETN.

Risk of different evolution than the reference asset

It is especially relevant in those ETFs that replicate indices and where deviations from benchmark performance in such cases may not be expected. The management costs of the ETF lead to a deviation in its price compared to the performance of the replicating index.

With commodity ETPs and ETNs that replicate the performance of a future, daily valuation adjustments may imply a distance from the performance of the replicating future.

Leverage risk

Some ETFs are leveraged, which can lead to both high profits and high losses. In addition, the ETF's own internal workings with adjustments to derivative positions can lead to additional losses.

The complexity of these instruments makes them unsuitable for investors who do not have a high level of experience and financial literacy.

Counterpart risk from the use of derivatives

Through the use of derivatives negotiated with a credit institution, ETFs, ETPs and TNCs will be exposed to counterparty risk for failure to meet their obligations when the derivative positions mature.

Other risks

The risk factors mentioned in the section on Equities and Fixed Income should be considered, depending on the market in which the ETF investment is made.

ANNEX II: Implementation sites

FINANCING TOOL	FACTORS TO CONSIDER	EXECUTION VENUE OR PREFERRED INTERMEDIARY
Listed Equity (National and International)	Through its intermediaries, Andbank provides its clients with execution centers in the main international markets.	Pershing (BONY), Instinet, Société Générale
Fixed Income	Andbank will always act on the principle of "closed price".	ANDBANK acts as a counterpart Intermediary: to be determined for each operation
Structured products	Andbank will always act on the principle of "closed price".	ANDBANK acts as a counterpart. Intermediary: to be determined in each operation.

FINANCING TOOL	FACTORS TO CONSIDER	EXECUTION VENUE OR PREFERRED INTERMEDIARY
IICs: Andbank Funds and SICAVs	As this is one of the cases of a financial instrument with a single execution channel, Andbank will transmit the orders to the Group's fund manager that manages the subscribed fund, which will execute them at the net asset value calculated in accordance with the regulations governing collective investment undertakings.	Group fund managers
IICs: Andbank's foreign investment funds and companies	This is a Financial Instrument case with a single execution channel. In this case, Andbank has signed a sub-distribution agreement with Allfunds Bank, Fundsettle and Inversis, and the orders will be sent to those Entities, which will in turn transmit them to the Management Company of the fund in question, which will execute them at the net asset value of the unit calculated in accordance with the regulations governing collective investment undertakings.	Fund platforms (Allfunds, Fundsettle and Inversis)
IICs: Foreign investment funds and companies outside the Andbank Group		
Derivatives	Through its intermediaries, Andbank provides its clients with execution centers in the main international markets.	Altura / Morgan Stanley