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00

Principais dados do
Grupo Andbank

Principais dados do Grupo Andbank

Principais números

21.774 M€

AUMs

BBB

Fitch Ratings

66,6 %

Liquidez

Estável

Perspectiva

17,01 %

Tier 1 Phase-In

3,65 %

Índice de morosidade

516,6 M€

Recursos próprios

5,38 %

ROE

27,1 M€

Resultado líquido

10,03 %

ROTE

Um grupo financeiro global, presente em 3 continentes

1.051

Empregados

7

Licenças bancárias

4

Agências ou casas de valores

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Empresas Gestoras de Fundos de Investimento

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3

Consultores de investimento



01

/ Mensagem do / Presidente

Mensagem do Presidente

Encerramos 2018 com a tranquilidade de termos atingido as metas estabelecidas. Em um ano de rápidas mudanças, trabalhamos muito para alcançar um nível de solvência de destaque comparado ao restante do setor. Do ponto de vista macroeconômico e regulatório, os desafios dos anos anteriores à rentabilidade do setor persistem; entretanto, do ponto de vista estratégico, o ano de 2018 foi fundamental para a consolidação do nosso projeto.

Este é um momento de rápidas mudanças para o setor financeiro - mudanças que afetam todos os países (não apenas na Europa, mas em todo o mundo) e preocupam todos os governos e seus cidadãos. Mudanças tecnológicas sem precedentes estão transformando a sociedade e a economia, dando origem a novas formas de desenvolvimento e de operação bancária.

Em linhas gerais, em 2018, o recente ciclo de crescimento da economia mundial atingiu uma fase de maturidade, embora vários eventos geopolíticos ameacem essa situação. O Brexit e as tensões comerciais enfraqueceram a coesão interna da União Europeia.

Nos Estados Unidos, o protecionismo do governo Trump estimulou o crescimento e semeou dúvidas sobre o futuro do comércio mundial. Além disso, embora o adiamento de novos aumentos tarifários por parte dos Estados Unidos e da China tenha enviado um sinal positivo, persiste a incerteza sobre se as negociações levarão a uma redução substancial das tensões comerciais entre os dois países.

Os mercados financeiros tiveram desempenho bastante negativo, especialmente no segundo semestre. Os bancos europeus listados foram afetados pelo adiamento pelo Banco Central Europeu de qualquer aumento nas taxas de juros.

A inflação permanece baixa em nível recorde, apesar do aumento do preço do petróleo, contribuindo para a manutenção de condições monetárias extraordinariamente frouxas, mas aparentemente ineficazes. Estas condições facilitaram o crescimento do investimento, sobretudo no setor de habitação, com um consequente aumento da atividade de construção, um segmento de uso intensivo de mão-de-obra.

Embora o crescimento global esteja começando a desacelerar, as perspectivas de crescimento para a economia mundial em 2019 permanecem bastante positivas, particularmente nos mercados em que operamos.

Estamos diante de um cenário macroeconômico volátil, com crescente incerteza política em muitos dos países em que operamos e aumentando os requisitos regulatórios e de supervisão, especialmente na Europa. No entanto, para 2019, antecipamos um ambiente no qual algumas dessas incertezas podem ser canalizadas, dando origem a uma combinação de riscos que é menos prejudicial para o bom desempenho do mercado financeiro. Isso deve ajudar a manter múltiplos estáveis para os principais índices, o que deve ajudar a estabilizá-los.

Ao mesmo tempo, devemos levar em conta a revolução tecnológica que afeta não apenas o setor financeiro, mas a todas as empresas ao redor do mundo, através da chamada transformação digital. A digitalização está provocando uma mudança fundamental na forma como as empresas operam, gerenciam e agregam valor a seus clientes. Além disso, esse movimento também envolve uma mudança cultural, forçando muitas organizações a reinventar seus negócios e a reavaliar seu status quo.

O sistema bancário andorrano continua fortalecendo seu nível de solvência, melhorando a qualidade de seus ativos e aumentando sua rentabilidade. Em Andorra, 2018 foi o ano em que as instituições financeiras reafirmaram sua conformidade com os padrões internacionais e a transparência, alcançando total comparabilidade com outros bancos europeus.

Observamos avanços na modernização do quadro regulatório europeu em relação ao combate à lavagem de dinheiro, adaptação dos regulamentos bancários de Andorra às normas europeias de governança corporativa e implementação dos novos requisitos nos domínios de proteção ao investidor, formas de pagamento, proteção de dados e padrões de relatórios FINREP-COREP, entre outros.

Neste ambiente, nosso banco procura adaptar-se a esta era de rápida transformação, da forma como sempre fez: com rapidez, competência e profissionalismo, respondendo prontamente às mudanças e até mesmo se antecipando às mesmas.

Atualmente o Andbank é um grupo global, transparente, maior e com melhor solvência. Em 2018, mantivemos os recursos de clientes em cerca de 22 bilhões de euros, apesar dos mercados extremamente voláteis, que se tornaram especialmente complexos e adversos no quarto trimestre. Este número, que quase triplicou desde 2010, demonstra a competência e solidez do banco, que são as qualidades de que precisamos para enfrentar os desafios aos quais nos propusemos.

Nosso investimento em crescimento e solvência internacionais continua aumentando. No ano passado, aprovamos um novo plano estratégico para o período 2018-2021, no qual estabelecemos a meta de continuar atuando como banco privado familiar de referência na Europa e na América Latina.

Fortalecemos nossa presença na Espanha através da aquisição da empresa de gestão de ativos Merchbank. Expandimos nossa presença em mercados estratégicos como Israel e Brasil, por meio de um acordo de distribuição com a Triar.

Nosso projeto nos direciona para uma nova realidade tecnológica, econômica e regulatória, a fim de atuar como um banco sustentável e competitivo neste ambiente em transformação.

As taxas de juros reduzidas ou mesmo negativas na zona do euro exercem forte pressão sobre os resultados do grupo. Nosso lucro no ano supera as expectativas. Apesar do ambiente e do investimento em mecanismos de controle, crescimento internacional e desenvolvimento tecnológico, além de provisionamento cauteloso, encerramos o ano com lucro líquido de mais de 27 milhões de euros, 12% acima do previsto, e mantivemos nosso retorno aos acionistas (ROE) em 5,38%, em linha com outros concorrentes internacionais.

Nossa estrutura de capital e liquidez permaneceu forte em 2018. O índice de liquidez está em torno de 66,60% (acima do mínimo de 40% estabelecido em lei), com um LCR de 360%. O índice de inadimplência permaneceu em 3,65%. Como resultado, o índice de capital de Nível 1 do grupo é de 15,76%, acima dos requisitos de capital de entidades europeias equivalentes.

A estratégia, gestão e perfil de risco do banco conquistaram o reconhecimento da agência Fitch Ratings, que concedeu ao Andbank um rating de longo prazo de BBB com perspectiva estável. Os ratings são baseados no crescimento do negócio de private banking, em nossa forte expansão internacional, nacional e de mercado de nicho, em nossa gestão dinâmica e alto índice de liquidez.

A revolução digital e o rápido surgimento de novas tecnologias trouxeram uma transformação completa ao setor. A maneira como as pessoas se relacionam e se comunicam mudou, e o setor deve se adaptar a esse mundo digital, a fim de melhorar o atendimento aos clientes e atender às crescentes demandas por acesso multicanal.

Este é, portanto, o desafio estratégico mais importante que enfrentamos, não só pela sua importância no campo tecnológico e inovação no setor, mas também pelo investimento que devemos realizar, o qual consiste em um aumento dos custos de tecnologia, que pressionam ainda mais a rentabilidade da empresa. Nossa transformação digital é essencial para seguir crescendo de forma sustentável e rentável e acelerar a implementação de nossa estratégia.

A satisfação de nossos clientes continuará sendo o foco principal do nosso trabalho. Isso só é possível através de um excelente serviço e do apoio de grandes profissionais. Queremos fortalecer nossa posição como consultor financeiro de referência. Nosso objetivo é conquistar a confiança dos clientes ao oferecer a melhor proposta de valor, centrada em ajudar as pessoas e as empresas a tomar melhores decisões sobre seus ativos, para que possam alcançar mais plenamente suas metas de vida e de negócios.

Continuaremos a nos esforçar para oferecer um estilo diferenciado de banco, caracterizado pela proximidade do cliente, qualidade de serviço e inovação - sempre harmonizando e equilibrando os interesses de nossos clientes, funcionários e acionistas, e a sociedade como um todo.

Os acionistas e o Conselho de Administração gostariam de agradecer aos nossos clientes e funcionários por sua fidelidade. Prometemos continuar trabalhando de acordo com os mais elevados padrões de profissionalismo, para continuar merecendo sua confiança.

02

Evolução econômica e mercados financeiros 2018

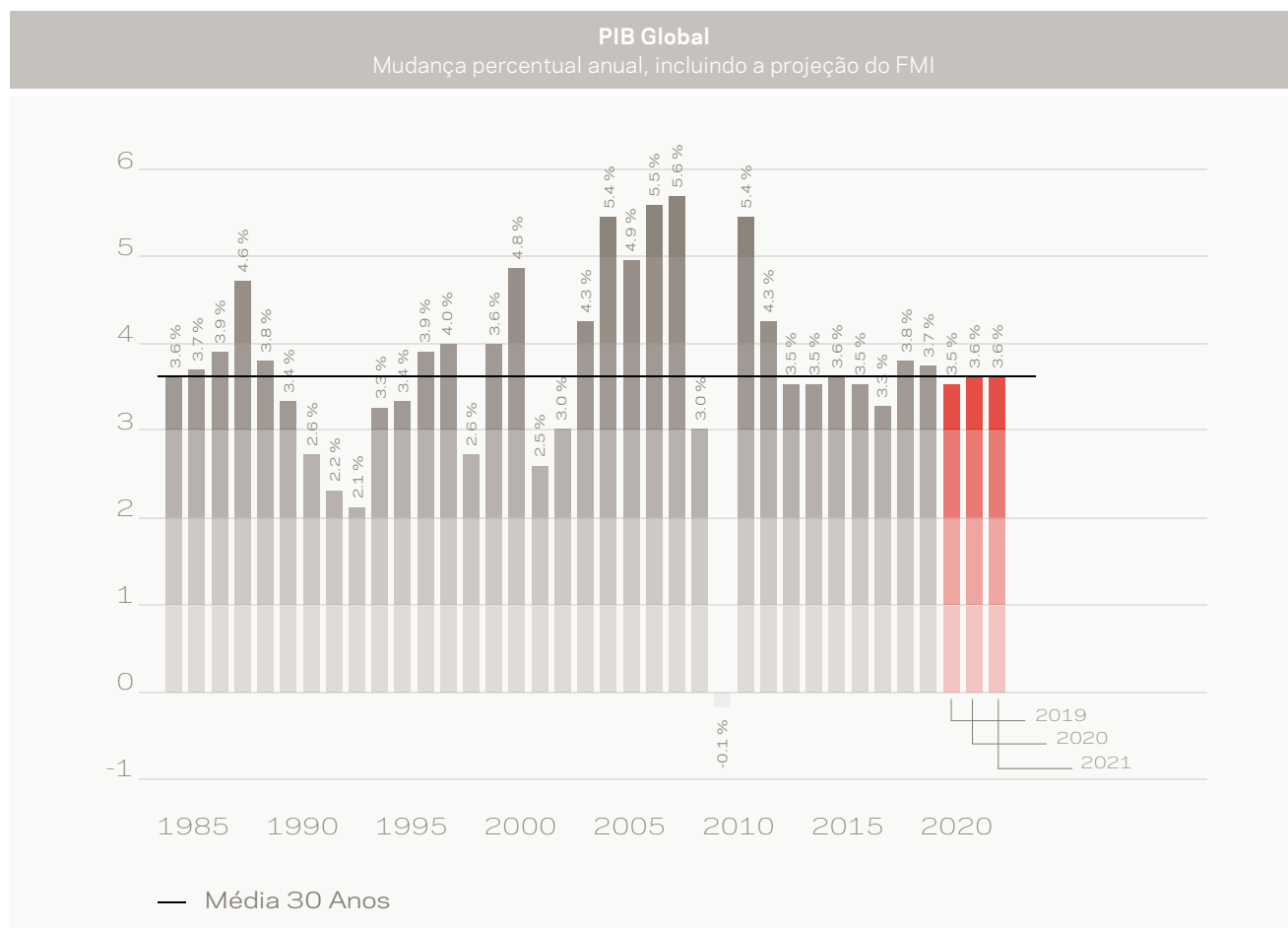
Evolução econômica e mercados financeiros 2018

Ambiente externo e desempenho econômico global em 2018

Os indicadores econômicos apontam para uma desaceleração da taxa de crescimento global no final do ano. O índice global de gerentes de compras (PMI), com exceção da zona do euro, teve

queda no final de 2018, principalmente devido à contínua desaceleração da atividade industrial mundial. O setor de serviços apresentou melhor desempenho comparado ao setor industrial, apesar de uma certa volatilidade nos números. A confiança dos consumidores também começou a diminuir a partir do terceiro trimestre, mesmo a partir de níveis elevados. Houve aumento nos riscos negativos para a economia global à medida que uma nova escalada das disputas comerciais ameaçava travar o crescimento mundial. Embora o adiamento de novos aumentos tarifários por parte dos Estados Unidos e da China tenha enviado um sinal positivo, ainda havia considerável incerteza sobre se as negociações resultariam em um alívio substancial das tensões comerciais entre os dois países. Outros riscos negativos vieram de um estreitamento mais rápido das condições financeiras em todo o mundo (especialmente por parte do Fed) e das consequentes tensões em economias emergentes e incertezas políticas e geopolíticas, incluindo os riscos associados ao Brexit.

No geral, a economia mundial desacelerou, registrando crescimento anual de 3,7% (abaixo dos 3,8% registrados em 2017).



Fonte: Thomson Reuters Datastream/Fathom Consulting/ANDBANK

A inflação global diminuiu em novembro. Nos países membros da Organização para Cooperação e Desenvolvimento Econômico (OCDE), a inflação anual, medida pelos preços ao consumidor, baixou para 2,7% em novembro, sobretudo devido à queda nos preços de energia, enquanto a inflação, excluindo-se energia e alimentos, caiu ligeiramente, para 2,2%. Espera-se que as pressões inflacionárias globais permaneçam contidas.

Estados Unidos

A economia dos EUA registrou forte crescimento em 2018, impulsionada por importantes medidas pró-cíclicas de estímulo fiscal durante o primeiro semestre. No entanto, as perspectivas de crescimento têm sido atenuadas pela diminuição da confiança e por números mais fracos que o esperado. O crescimento real do PIB atingiu uma taxa anualizada de 3,4% no terceiro trimestre de 2018, bem acima do potencial, mas abaixo do índice de 4,2% no trimestre anterior, devido à queda na demanda externa líquida e à desaceleração na formação de capital fixo privado.

Do lado negativo, a paralisação do governo dos EUA aumentou a incerteza criada por sua política comercial com a China e continuou desacelerando a atividade econômica dos EUA ao longo do quarto trimestre de 2018.

A inflação plena, medida pelos preços ao consumidor, caiu para 1,9% ano-a-ano em dezembro, como resultado de uma queda acentuada nos preços de energia, enquanto os salários médios permaneceram estáveis. Nesse contexto, em sua reunião de dezembro de 2018, o FOMC elevou a meta da taxa dos Fed Funds em 25 pontos percentuais, como era esperado, e reduziu ligeiramente suas projeções para o crescimento do PIB e inflação subjacente para os próximos anos.

Zona do Euro

A persistência das incertezas, associadas a fatores geopolíticos e a ameaça do protecionismo impactaram negativamente o sentimento econômico na zona do euro. A zona do euro tem vivenciado um cenário de desaceleração do crescimento econômico mundial, com uma considerável perda de dinamismo no comércio internacional no segundo semestre de 2018, o que afeta particular e fortemente a economia da zona do euro (claramente orientada para a exportação). Em contrapartida, as condições de financiamento favoráveis, o desempenho positivo do mercado de trabalho e o crescimento salarial continuaram estimulando a expansão na zona do euro.

O PIB real da zona do euro subiu 0,2% no terceiro trimestre de 2018, seguindo-se a um crescimento de 0,4% nos dois trimestres anteriores. Os números mais recentes continuam

sinalizando um desempenho abaixo do esperado, por conta de uma desaceleração na demanda externa, agravada por vários fatores relacionados a países e setores específicos. Embora o efeito de alguns desses fatores deva desaparecer, o crescimento no curto prazo provavelmente será abaixo do previsto anteriormente.

A taxa de emprego continuou subindo no terceiro trimestre do ano. A taxa de emprego está atualmente em 2,6%, acima do aumento registrado no período anterior à crise no primeiro trimestre de 2008. O emprego cresceu na maioria dos países da zona do euro e em quase todos os setores. Com este último aumento, o emprego na zona do euro cresceu, em termos cumulativos, em 9,6 milhões de pessoas de seu ponto baixo no segundo trimestre de 2013. O movimento ascendente da taxa de emprego, juntamente com a desaceleração do crescimento do PIB em 2018, traduziu-se em um crescimento moderado da produtividade após a ligeira recuperação observada em 2017.

Na zona do euro, a inflação em relação ao ano anterior medida pelo IHPC caiu para 1,6% em dezembro de 2018, versus 1,9% em novembro. Embora os indicadores de inflação subjacente também tenham se mantido em níveis moderados, a pressão dos custos de mão-de-obra continua subindo gradualmente em um contexto de forte utilização da capacidade industrial e retração do mercado de trabalho. A perspectiva é de aumento da inflação subjacente no médio prazo, por conta das medidas de política monetária do BCE, expansão econômica contínua e maior crescimento salarial.

Economias emergentes da Ásia e EMEA

Na China, o crescimento econômico perdeu força ao longo do ano, acompanhado por sinais claros de enfraquecimento sobretudo no setor industrial. Em dezembro de 2018, o índice dos gerentes de compra (PMI) do setor industrial caiu abaixo de 50 pela primeira vez desde 2017, enquanto o setor de serviços, que está menos exposto às tensões comerciais com os Estados Unidos, mostrou maior resiliência.

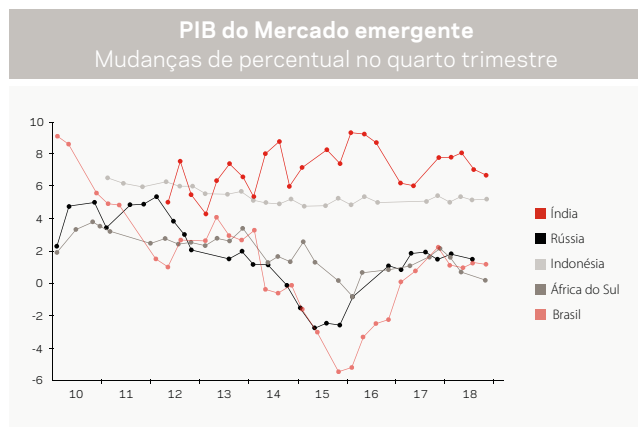
O banco central chinês adotou diversas novas políticas destinadas a reduzir a desaceleração, incluindo uma redução de 100 pontos percentuais no índice de reservas compulsórias no início de janeiro e uma nova linha de crédito para pequenas empresas em dezembro. Além disso, foram anunciadas algumas medidas fiscais importantes sob a forma de reduções de impostos.

A inflação na China caiu para 1,9% em dezembro em relação ao ano anterior, refletindo a contribuição reduzida dos bens de consumo não alimentícios, enquanto a inflação subjacente permaneceu estável.

Na Índia, a indústria, as exportações e o consumo mostram vigor renovado após a interrupção temporária causada pela desmonetização e pela reforma tributária no setor de bens e serviços. Os gastos públicos mais elevados, impulsionados pela proximidade das eleições de 2019, elevaram a demanda agregada.

As reformas trabalhista e agrária, além das reformas já implementadas, poderiam elevar a Índia ao primeiro quartil de crescimento de acordo com seu nível de desenvolvimento e, ainda mais importante, posicioná-la para se posicionar acima dos outros países emergentes na próxima década. A Índia já contribuiu com 10% do crescimento global, um número que pode aumentar para quase 20% na próxima década. Não obstante, é pouco provável que a Índia alcance as taxas de crescimento registradas pela China no passado. O salto da Índia na classificação global do Banco Mundial em termos de facilidade de se fazer negócios, da 142ª posição em 2015 para a 100ª posição em 2018, indica que o país está avançando consideravelmente. Porém, até agora seu impacto macroeconômico tem sido modesto: a participação do setor industrial no PIB ainda é decepcionante em 16%, bem abaixo da meta do governo de 25%. Além disso, a participação da Índia nas exportações mundiais de commodities está abaixo de 2%. Embora, como percentual do PIB, suas exportações já sejam equivalentes às da China nesse estágio de desenvolvimento, é improvável que atinjam os níveis alcançados pela China em seus anos de expansão, uma vez que a Índia já está integrada à economia mundial.

Vários fatores contribuíram para a melhoria geral da atividade: as iniciativas de alguns estados para transferir a produção estão entrando em vigor. A simplificação e unificação do imposto sobre bens e serviços (reforma do GST) favorece os fabricantes organizados. O investimento estrangeiro, crucial para elevar os padrões em determinados estágios da cadeia de valor, passou de 1,1% para 1,7% do PIB. A infraestrutura melhorou consideravelmente, embora ainda haja muito a ser feito. A regulamentação é um ônus, apesar de menor comparado a outros períodos. Finalmente, embora ainda seja difícil comprar terras para uso privado, agora é mais fácil adquirir propriedades públicas para fins industriais.

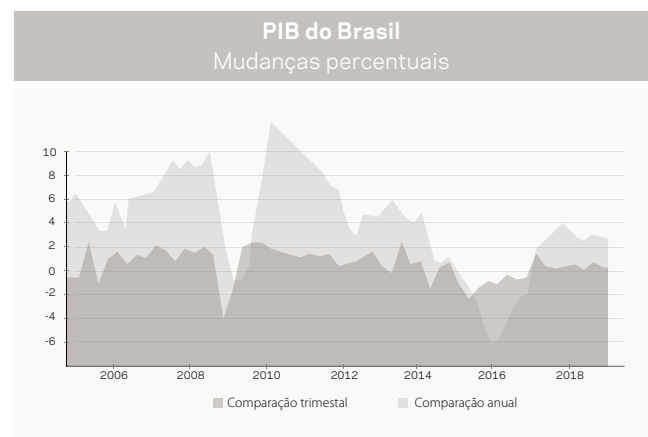


Fonte: Thomson Reuters Datastream / ANDBANK

América Latina

No Brasil, o ano foi dominado pelas manchetes sobre as eleições presidenciais. O PIB permaneceu estagnado antes das eleições, enquanto os agentes econômicos esperavam o resultado antes de investir e tomar decisões de longo prazo. O consumo das famílias também foi moderado. Nesse cenário, a inflação permaneceu em patamares baixos, surpreendendo agradavelmente o mercado e o banco central.

Assim que o novo presidente eleito do Brasil, Jair Bolsonaro, foi anunciado, ele (e sua equipe econômica) rapidamente apontaram a reforma previdenciária como uma prioridade para afastar o índice de endividamento do governo de sua atual trajetória insustentável. A intenção de Bolsonaro de acelerar o processo de aprovação da reforma sugere preocupações com a situação fiscal do país. E com razão, uma vez que o déficit orçamentário subiu de 2,5% do PIB em 2013 para um pico de mais de 10% do PIB em 2016. Mais da metade desse aumento deveu-se a pagamentos de juros mais elevados, porém a parcela remanescente resultou de um aumento nos gastos federais atuais, coincidindo com uma queda acentuada nas receitas federais. O déficit orçamentário começou agora a diminuir, principalmente devido a uma redução dos pagamentos de juros, mas o déficit total ainda se encontra perigosamente elevado, em mais de 7% do PIB. A dívida pública, que subiu de 50% do PIB em 2013 para pouco menos de 80% do PIB, continuar subindo, a menos que seja implementada uma reforma previdenciária ambiciosa (sendo a aposentadoria a maior despesa no orçamento nacional).



Fonte: Thomson Reuters Datastream / ANDBANK

No México, por enquanto, López Obrador manteve posições moderadas em geral, em comparação com o que se poderia esperar levando-se em conta a campanha eleitoral. Quanto às suas propostas mais radicais, ao final Obrador decidiu cancelar o novo aeroporto na capital e os contratos com empresas privadas para exploração e perfuração de poços de petróleo (embora recentemente tenha se posicionado a favor da manutenção das concessões). Os detalhes orçamentários serão cruciais para determinar se é provável que Obrador opte por medidas que possam desencadear um aumento nos gastos e dificuldades nas finanças públicas.

O crescimento permaneceu próximo a 2% em 2018, com um aumento no IPC em agosto de 4,90% ano-a-ano, acima das projeções dos analistas, devido ao efeito do aumento no custo da gasolina e do gás.

Houve contenção de preços razoável. O índice geral de preços iniciou o ano em 6,77%, mas caiu para 4,8% no segundo semestre. A inflação subjacente encerrou o ano em nível ainda menor (3,68%).

Desempenho do mercado financeiro em 2018

Mercados de renda fixa

Rendimentos dos instrumentos de dívida pública de longo prazo (10 anos) em 2018, com algumas exceções (Itália).

Nos EUA, o rendimento dos títulos do Tesouro do governo americano de 10 anos manteve uma tendência ligeiramente ascendente, subindo de 2,40% no início do ano para 2,68% no final do ano, oferecendo um retorno total (em preço e cupom) de 0,2%.

Na Europa, o título de referência (Bund de 10 anos) continuou sendo "conduzido" pelo BCE, que reduziu seu rendimento de 0,42% em janeiro para 0,24% no final do ano, resultando em um retorno total para esta classe de ativos de quase 2%. No que diz respeito à dívida periférica, o rendimento dos títulos com prazo de 10 anos da Espanha (que encerraram em 1,41%) e de Portugal (1,71%) manteve-se notavelmente estável. Em ambos os casos, o rendimento caiu aproximadamente 15 pontos percentuais ao longo do ano.

No Reino Unido, o Gilt de 10 anos permaneceu razoavelmente estável (apesar da ameaça de aumento no risco país como resultado do processo Brexit). O rendimento do Gilt de 10 anos aumentou apenas 9 pontos percentuais (de 1,18% para 1,27%), com retorno de 0,5% em 12 meses.

No Japão, a história recente está se repetindo, já que o banco central do país manteve o rendimento de todos os títulos (incluindo os títulos com vencimentos longos) ancorado em torno de 0%.

Nos mercados emergentes, os títulos governamentais que registraram as maiores perdas foram os da Turquia (-24,5%) e da Argentina (-39,8%). Indonésia e Filipinas também caíram (-7% e -10%, respectivamente). Rússia permaneceu estável (o efeito carry trade compensou o ganho de 100 pontos percentuais no rendimento). No lado positivo, o desempenho mais forte foi registrado pelos títulos governamentais da China (+ 9,3%), Índia (+ 7%), Coreia (+ 6,3%) e Brasil (+ 18,6%). Os títulos do México permaneceram estáveis.

Mercados de Renda Variável

Após um 2017 muito positivo para todos os mercados de renda variável em todo o mundo, o ano de 2018 virou um pesadelo, com a maioria dos mercados acionários (exceto Brasil e Índia) registrando perdas consideráveis em moeda local: EUA (-6,2%), Europa (-13,2%), Espanha 15%), México (-15,6%), Japão (-12,1%) e China (-24,6%). As únicas exceções foram Brasil e Índia, que registraram ganhos (medidos em moeda local) de 15% e 5,9%, respectivamente.

Mercados de commodities

O petróleo apresentou duas tendências claramente diferenciadas em 2018. Um primeiro período de forte valorização (+ 26%), que se estendeu até outubro, seguido por uma queda acentuada de 42% nos últimos dois meses do ano. Em 2018 como um todo, o petróleo caiu 25%. O ouro permaneceu volátil, mas o preço teve somente uma variação de -2% ao longo do ano como um todo.

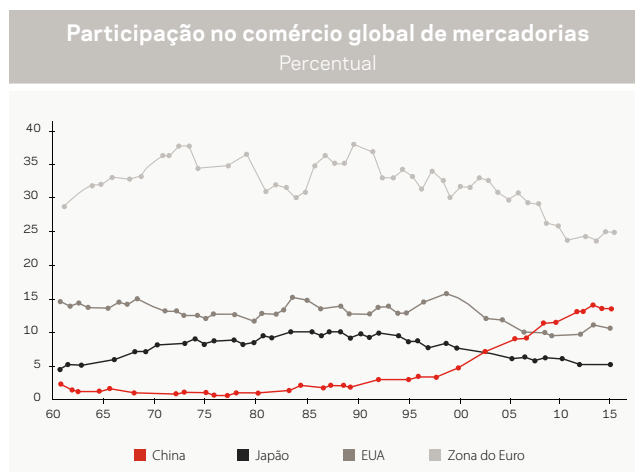
Mercado de câmbio

O dólar registrou valorização em 2018 comparado a quase todas as moedas. O euro sofreu uma forte desvalorização de -4,4% em relação ao dólar durante o ano. A libra esterlina sofreu uma perda de 5,6% em relação ao dólar. O yuan chinês perdeu 5,7%, o franco suíço 0,73%, o real 17% e o peso argentino caiu 50%.

03

Perspectivas para a
economia global e
mercados financeiros

Tendências econômicas e mercados financeiros 2019



Fonte: Thomson Reuters Datastream / ANDBANK

Estados Unidos

O Fed decidiu suspender as altas na taxa de juros, enquanto o FOMC vem moderando o tom de suas projeções para levar em conta a recente flexibilização dos dados econômicos. O efeito das medidas tomadas para estimular a economia no ano passado está se diluindo, com risco crescente de desaceleração. Há um sentimento de que a transição para um crescimento mais lento do PIB está em curso, alimentada por indicadores econômicos que dão sinais contraditórios. Em nossa visão, embora certas medidas tenham começado a perder força, a economia ainda é fundamentalmente sólida. O mercado de trabalho permanece positivo, a inflação está estável e um Fed paciente deixará as taxas de juros estáveis por um período relativamente longo, o que provavelmente impulsionará o crescimento contínuo no médio prazo.

O PIB real no último trimestre de 2018 cresceu a uma taxa anual de 2,6%, abaixo do registrado em todo o ano de 2018. O índice de 3,1% estava bastante alinhado com as projeções do governo quando introduziu medidas de reforma tributária e desregulamentação.

Esperamos uma desaceleração em 2019, que será mais perceptível na primeira parte do ano, com uma queda imediata no crescimento no primeiro trimestre, seguida de um crescimento mais estável no restante do ano. Dados de alta frequência sugerem uma desaceleração inicial no ritmo de crescimento econômico em 2019, mas acreditamos que a economia dos EUA pode registrar um crescimento de cerca de 2,3%.

O Fed tem enviado mensagens claras desde sua reunião de janeiro, aconselhando paciência, embora o termo “paciência” deva ser entendido corretamente: precisamos esperar para ver como as condições financeiras mais rigorosas afetam os mercados globais, esperar para fazer parte do crescimento

Ambiente externo e perspectivas econômicas globais em 2019

O crescimento global continuará desacelerando em 2019, mas esperamos que se estabilize no médio prazo. A desaceleração será mais forte no setor industrial, o que levará a um declínio no comércio mundial. Embora alguns fatores de risco, como relações comerciais tensas e o efeito das intervenções no mercado de energia devam persistir e continuar afetando a economia global este ano, também esperamos que as medidas econômicas recentes mantenham o ritmo da atividade global dentro de limites aceitáveis. A expansão monetária e o crescimento do crédito desaceleraram em janeiro de 2019, mas as condições de financiamento e crédito bancário permaneceram favoráveis. No Andbank prevemos um crescimento nominal do PIB global em torno de 6,90%, compreendendo crescimento real de 3,60% e inflação global de 3,3%. A pressão inflacionária mundial será controlada.

global e esperar a inflação baixar. O Fed também insinuou fortemente que seu programa de normalização de balanço terminará este ano, o que deve ajudar a reduzir o risco de tensões de liquidez (esperadas quando o Fed reduz seus ativos e a liquidez é retirada do sistema).

Embora a situação global permaneça fraca e a inflação global tenha sido baixa, seguimos acreditando que esses fatores serão resolvidos favoravelmente, mas não no curto prazo.

Zona do Euro

Os dados das pesquisas e da atividade econômica real nos primeiros meses de 2019 ficaram abaixo das projeções dos investidores. Apesar da força do mercado de trabalho, a contínua incerteza política e a inquietação social exercem um efeito negativo em alguns países (por exemplo, os protestos dos coletes amarelos na França). A recente fraqueza das economias europeias é evidente na clara deterioração do setor industrial, atingida por um declínio na produção global. Embora alguns setores na Alemanha, como fabricação de veículos e produtos químicos, possam em breve se recuperar, a perspectiva geral ainda é sombria.

Nosso cenário central não é de recessão, pois a força do mercado de trabalho, combinada com incentivos fiscais e monetários, deve ajudar a manter a demanda interna em níveis razoáveis.

O Banco revisou para baixo novamente a projeção de crescimento do PIB da zona do euro, principalmente para Alemanha e Itália. Bruxelas cortou sua projeção de crescimento do PIB para 2019 para toda a UME em 0,6% a 1,1% (abaixo do potencial). Também reduziu sua projeção para 2020 para 1,6% e a estimativa para 2021 caiu para 1,5%.

Após reduzir substancialmente as projeções de crescimento, a mensagem da Comissão Europeia é de certa forma surpreendente. Apesar da desaceleração, afirma que os alicerces da economia europeia ainda são bastante sólidos, com um mercado de trabalho muito dinâmico (o desemprego é mínimo e os salários estão subindo), baixos custos de financiamento e uma política fiscal que continua impulsionando o crescimento econômico.

As projeções de inflação também foram moderadas, em parte devido à queda nos preços do petróleo, embora próximas às projeções do BCE.

Draghi confirmou o fim do programa de relaxamento quantitativo (QE), oferecendo uma estrutura de reinvestimento flexível, reconhecendo ao mesmo tempo uma deterioração das expectativas. Ele resumiu sua visão em uma frase muito gráfica: "Temos confiança permanente com cautela crescente". Consequentemente, os agentes do mercado acreditam agora que o primeiro aumento da taxa de depósitos não ocorrerá antes

de 2020. Acreditamos que, se a situação permanecer estável e não houver mais deterioração, o BCE deve considerar um aumento nas taxas de juros.

O novo programa TLTRO III será usado como um mecanismo de estabilização para garantir que os bancos ofereçam um programa de financiamento confiável com 12 meses de antecedência, em linha com as atuais normas bancárias, evitando tensões interbancárias quando o TLTRO II terminar em 2020, embora o novo programa deverá ser menos generoso do que as linhas de crédito anteriores. O programa será lançado em setembro e durará dois anos; os bancos italianos serão os maiores beneficiados, enquanto os da Europa central receberão quantias menores, já que detêm maiores reservas excedentes.

É chegado o momento de grandes decisões e acordos entre os partidos políticos no parlamento inglês para finalmente resolver a questão do Brexit. Há pouca margem para renegociação com a UE, embora a probabilidade de um Brexit "não permanente" seja pequena, uma vez que o Parlamento do Reino Unido se opõe ao mesmo.

Espanha

Iniciamos 2019 imersos na política pré-eleitoral, com novas pesquisas semanais produzindo cenários que impossibilitariam a formação de um governo. Embora os socialistas tenham obtido suporte desde as últimas eleições, há sérias dúvidas sobre se o PSOE poderia trabalhar com outros grupos políticos para formar uma maioria, já que defendem posições incompatíveis em muitas questões.

No entanto, a situação política instável não parece ter afetado o desempenho econômico razoavelmente positivo nos primeiros meses do ano. De fato, os números do primeiro bimestre de 2019 confirmam que não houve desaceleração na economia espanhola. O único elemento de incerteza é o setor industrial, onde o último PMI do setor industrial estava abaixo de 50 em fevereiro, apesar do cenário de desaceleração global no setor industrial. Do lado positivo, a economia interna ainda é dinâmica, com melhores dados para o setor de habitação, tanto em volume quanto em preços. As vendas no setor varejista continuam subindo, e os números de desemprego seguem sugerindo que os índices negativos de 2018 ficaram para trás.

A contribuição do setor externo para a economia melhorou surpreendentemente no começo de 2019, com aumento de 2% nas exportações do trimestre, um nível de crescimento inédito desde 2016.

Para 2019 como um todo, esperamos crescimento real no PIB da Espanha de 2,1%, com inflação em torno de 1,4%.

Japão

No início de 2019, o governo japonês considerou revisar para baixo suas projeções para o ano, prevendo uma recuperação mais moderada por conta do possível impacto negativo da desaceleração da economia chinesa sobre a produção e as exportações japonesas. Prevemos um crescimento de cerca de 0,5% para o ano como um todo. Os resultados do primeiro trimestre de 2019 foram decepcionantes. Em janeiro, os pedidos de equipamentos caíram 5,4% (contra uma queda esperada de 1,7%). O índice geral de produção no primeiro trimestre caiu 7,3% (ante 5,5% no trimestre anterior). O setor não industrial registrou crescimento de 1,0% (ante 3,7% no trimestre anterior). Do lado positivo, a atividade no setor terciário cresceu 0,4% em janeiro (comparado à previsão de consenso de -0,3%). O crescimento estimado do PIB para 2019 é de 0,6%.

Em vista do nível de atividade moderado, o Banco do Japão definiu as taxas de juros de um dia em -0,1% e as taxas de longo prazo em 0%. Também foi acordado por unanimidade que a compra de ativos deve continuar. Em seu comunicado, o Banco reiterou que as taxas de juros oficiais permaneceriam extremamente baixas por um longo período. O BoJ informou que as exportações e a produção industrial estavam sofrendo os efeitos da desaceleração do mercado externo. Representantes do BoJ sugeriram que, se a desaceleração econômica continuar, o banco poderá ter que atuar rapidamente e afrouxar ainda mais suas políticas. No entanto, as preocupações levantadas pelos efeitos secundários de longo prazo de maior flexibilidade e a queda nas receitas bancárias levaram o BoJ a adotar uma posição de certa forma favorável ao aumento das taxas de juros, assim que for possível. Uma pesquisa da Bloomberg mostrou que 37% dos analistas esperavam que o próximo movimento favorecesse a flexibilização.

Na esfera política, o primeiro-ministro descartou a ideia de um quarto mandato. Perante o Comitê de Orçamento da Câmara dos Conselheiros, o primeiro-ministro Shinzo Abe declarou sua intenção de respeitar as regras de seu partido, que determinam que a mesma pessoa não pode liderar o partido por mais de três mandatos consecutivos. O Partido Liberal Democrático modificou suas regras em 2017 para permitir a Abe um terceiro mandato até setembro de 2021. No início de fevereiro, alguns legisladores do PDL, apoiados por altos funcionários do partido, sugeriram a ampliação do limite para quatro mandatos.

Os bancos regionais que enfrentam dificuldades logo serão expostos a uma pressão ainda maior quando o governo exigir que suas operações sejam auditadas, numa tentativa de abordar um setor que foi duramente atingido pelo decréscimo nas populações em áreas rurais e por anos de taxas de juros extremamente baixas. A Agência de Serviços Financeiros (Financial Services Agency - FSA) planeja alterar os regulamentos atuais com o objetivo de evitar falência nos bancos regionais. Os novos testes de estresse incluiriam a verificação da rentabilidade futura dos bancos, bem como sua adequação de capital.

Economias emergentes da Ásia e EMEA

Na China, o Departamento Nacional de Estatística registrou desempenho econômico positivo no início de 2019, apesar da

queda recente nas vendas no setor automotivo. O Departamento Nacional de Estatística revisou a tendência de positiva para estável para produção industrial e emprego. Também mencionou um crescimento sólido na geração de energia, níveis recorde na indústria de lazer (cinemas) e um aumento de 9,7% nos gastos com restaurantes comparado ao ano anterior. As vendas pela Internet cresceram 19,5% e atualmente representam 16,5% de todas as vendas varejistas. No entanto, em fevereiro, a produção industrial cresceu apenas 5,3% (ante 5,7% em janeiro), enquanto o crescimento anual dos investimentos em ativos fixos foi de 6,1%, versus 5,9% no mês anterior. Além disso, o índice de desemprego subiu para 5,3%, de 4,9% no mês anterior.

Com relação ao futuro da economia, o primeiro ministro Li Keqiang declarou: "O governo chinês não deixará o crescimento econômico sair de uma faixa razoável". Ele acrescentou que a China pode fazer uso de reservas e taxas de juros para apoiar o crescimento econômico, e prometeu cortar o IVA para o setor industrial e alguns outros depois de 1º de abril, enquanto as contribuições da Previdência Social serão reduzidas após 1º de maio. Ele também prometeu que a China adotará diversas medidas de redução dos custos de financiamento para micro e pequenas empresas em um ponto percentual neste ano. A Comissão Reguladora Bancária da China enfatizou os progressos realizados na mitigação dos problemas de financiamento do setor. Os empréstimos em circulação para o setor totalizaram 33,49 bilhões de yuans (cerca de US\$ 5 bilhões) no final de 2018, representando 23,81% de todos os empréstimos. A China também apresentou várias medidas para melhorar a eficiência dos serviços de financiamento, encurtando o período de aprovação de 3 meses para 5-7 dias úteis.

Em relação à disputa comercial entre a China e os EUA, o jornal South China Morning Post relata que a reunião entre os presidentes dos EUA e da China para pôr fim à guerra comercial pode ser adiada para junho, depois que as esperanças de um acordo anterior foram frustradas. Recentes avanços importantes incluem o último esboço da Lei sobre Investimento Estrangeiro na China, que inclui uma disposição exigindo que os servidores públicos chineses protejam informações comerciais confidenciais obtidas por meio de suas atividades comerciais no exterior. Algumas fontes indicaram que a administração Trump está dividida entre estabelecer um mecanismo para garantir o cumprimento do acordo ou se seria suficiente somente chegar a um acordo. A China pressiona por uma visita oficial ao país, ao invés de uma discreta aparição de representantes de baixa patente do governo americano.

Na Índia, o crescimento do crédito se recuperou nos primeiros meses de 2019 e a liquidez também apresenta tendência positiva, refletida em um aumento de 14,5% na comparação anual com empréstimos feitos pelos bancos indianos na segunda quinzena de janeiro e um aumento de 9,6% na taxa de depósitos. O consumo mostra uma tendência positiva, em grande parte devido aos gastos nas áreas rurais. A demanda por bens de consumo duráveis é robusta, embora as vendas do setor automotivo tenham diminuído. As perspectivas para as exportações são variadas. Para o setor de Tecnologia da Informação e Comunicação (TIC), a previsão é positiva, mas as tendências na indústria farmacêutica são incertas. No geral, a situação parece favorecer uma recuperação fundamental. Os

principais fatores a ser monitorados são a agilidade do setor bancário para se normalizar e as políticas do novo governo. No primeiro semestre de 2019, o mercado será afetado negativamente pela incerteza política.

No cenário político, Modi enfrenta um difícil processo eleitoral. O governo decidiu publicar suas propostas orçamentárias para se contrapor ao populismo do Congresso Nacional Indiano, frequentemente chamado de Partido do Congresso, a oposição de esquerda, apresentando um programa de impostos destinado a tranquilizar os mercados. Uma das conquistas do governo Modi foi reduzir a inflação no preço dos produtos de consumo de 10% para 3%, uma iniciativa que favoreceu os consumidores urbanos em detrimento da população rural, e criou tensão econômica nas áreas rurais, o que agora é explorado pelo CNI. Rahul Gandhi prometeu perdoar empréstimos agrícolas nas eleições estaduais e agora propõe aplicar essa política em todo o país. Gandhi também ofereceu um salário mínimo garantido para a parcela mais vulnerável da população. O governo Modi apresentou um pacote menos favorável aos mais necessitados, mas que faz importantes concessões aos eleitores das classes média e baixa. Inclui as seguintes medidas: 1) um subsídio suplementar direto equivalente a 85 dólares por ano para 120 milhões de pequenos agricultores; 2) fundos adicionais para um programa de emprego rural; 3) um plano de pensão contributivo para 100 milhões de trabalhadores na economia informal; e 4) redução de impostos de US\$ 2.600 milhões para os assalariados da classe média, elevando o limite do imposto para US\$ 7.000. Levando-se em consideração as provisões para planos de poupança e seguros, o imposto de renda seria pago somente por aqueles que ganham mais de US\$ 9.000 por ano. As propostas orçamentárias são, portanto, suficientemente generosas para conter outras forças políticas. Nestas circunstâncias, o déficit para o exercício findo em 31 de março deverá ser de 3,4% do PIB (acima da meta de 3,3%) e o déficit previsto para 2019-2020 é de 3,4% (também superior à meta anterior de 3,1%). Atualmente, os mercados parecem aceitar que esse déficit é o preço inevitável que a Índia deve pagar para manter a democracia.

O consenso geral é que, mesmo que a volatilidade do mercado de valores mobiliários persista devido à incerteza sobre os resultados das eleições, os atuais modelos de negócios das empresas são muito mais sólidos, permitindo-lhes atravessar os períodos de volatilidade com mais tranquilidade. Se o partido conservador Bharatiya Janata Party (BJP) de Modi perder terreno nas intenções de voto, provavelmente haverá uma queda nos preços das ações. Mesmo assim, as principais reformas empreendidas nos últimos anos deixaram sua marca e esperamos que sua entrada em vigor dê continuidade ao crescimento da Índia. Como resultado disso, uma correção do mercado indiano nos próximos meses, provocada por fatores políticos, deve ser vista como uma oportunidade para tomar posições nesse mercado.

América Latina

No Brasil, todos os olhos estão voltados para os planos de reforma previdenciária. A equipe econômica do governo começou a detalhar aspectos da proposta de reforma das aposentadorias assim que Bolsonaro assumiu o poder. Uma das principais características reveladas até agora é que a idade

mínima para a aposentadoria será de 65 anos para homens e 62 para mulheres, com um período de transição de 12 anos. O modelo estrutural do sistema previdenciário também será modificado, caminhando para um sistema de capitalização individual. Esta proposta é mais exigente que as propostas de Michel Temer. A proposta será analisada pelo Congresso e poderá ser moderada. No geral, achamos que a mesma é preferível em termos de economia fiscal. O próprio presidente deverá apresentar esta proposta, que é vista como um sinal de compromisso perante os membros do Congresso.

A economia brasileira encontra-se agora em um ponto no ciclo que favorece o crescimento. O índice IBC-Br subiu 0,21% no início do ano, superando as expectativas do mercado, mas ainda refletindo uma recuperação econômica fraca em 2018. Um valor de 1,15% ano-a-ano sugere claramente que a atividade econômica nos últimos meses de 2018 foi abaixo do esperado. Os bancos reduziram os empréstimos nos últimos anos para compensar os efeitos da recessão em seus balanços, mas podemos esperar que recomecem a emprestar no futuro próximo. Após a grave recessão em 2015-16, as empresas reduziram consideravelmente os custos e reduziram sua alavancagem, posicionando-se para aproveitar ao máximo a recuperação econômica via alavancagem operacional e financeira. Os indicadores iniciais sugerem que o PIB pode subir em 2019 e as previsões de crescimento são em média de 2% a 2,5%.

Ao contrário de outros países com mercados emergentes, o Brasil manteve a vulnerabilidade externa em níveis mínimos, como refletido no baixo déficit em conta corrente presente e projetado, altos níveis de investimento estrangeiro direto, reservas monetárias substanciais e uma dívida pública externa líquida negativa. A inflação, medida pelo IHPIC, foi de 0,32% em janeiro, abaixo da previsão média de 0,38%, e uma queda para 3,87% está prevista para 2019.

No que diz respeito à política monetária, a liderança de Ilan Goldfajn do Comitê de Operações de Mercado do Banco Central chegou ao fim. O Comitê decidiu manter a taxa SELIC em 6,5%, acompanhando seu anúncio de endurecimento de sua política. Espera-se que a inflação permaneça sob controle.

No México, o presidente Andrés Manuel López Obrador continua criando incerteza entre os operadores do mercado. Em março, ele propôs a modificação da lei sobre consulta popular para permitir que os resultados fossem vinculantes, já que ele planeja usá-los para tomar inúmeras decisões sobre tributação e garantir que sejam implementadas. Obrador planeja até mesmo realizar um referendo sobre se os três últimos presidentes devem ser julgados pelas políticas que promoveram, o que sem dúvida desencadearia um tremendo conflito político.

A comunidade empresarial está desconfortável com esses desenvolvimentos e continua a se opor a muitas de suas decisões, com alguns empresários até mesmo congelando seus planos de investimento. Em suma, podemos dizer que o novo governo é imprevisível.

O presidente também está revisando muitos dos contratos assinados pelas empresas de energia como parte da reforma no

setor. Esta medida dificulta muito o progresso neste setor-chave, sem anúncios positivos em relação à capacidade de produção, reservas, etc.

A única boa notícia é que o orçamento apresentado pelo governo combate o desequilíbrio fiscal, com uma meta de superávit primário baseada em previsões razoáveis de receita fiscal. O risco concentrou-se na situação financeira da estatal Pemex, cujo rating de crédito foi rebaixado em dois níveis para BBB-, ficando próximo a uma perda da sua classificação de grau de investimento. O governo anunciou planos de capitalização para a empresa, incluindo a monetização de passivos trabalhistas e um orçamento impulsionado, totalizando 3.600 milhões consideraram essas medidas insuficientes.

Profissionais de mercado que operam no México aconselham cautela em vista das incertezas acerca do futuro econômico. As previsões do PIB para 2019 foram reduzidas para 1,5% (de 2% em dezembro de 2018).

Perspectivas para os mercados financeiros em 2019

Mercados de renda fixa

No geral, consideramos que os instrumentos de dívida se encontram supervalorizados na Europa e no Japão. Este é menos obviamente o caso do mercado de dívida nos EUA e na maioria das economias emergentes.

Nos EUA, consideramos que o rendimento de equilíbrio para o título do Tesouro de 10 anos é de cerca de 3%. Acima desse nível, estaríamos recomendando COMPRA, mas não antes.

Na Europa, o título de referência (Bund de 10 anos) continuou sendo “conduzido” pelo BCE, que reduziu seu rendimento para números negativos no primeiro trimestre de 2019. Acreditamos que esse ativo deve ser evitado, independentemente de o rendimento poder ou não baixar ainda mais como resultado da política monetária direcionada. Observamos que em 2019 o Bund deve se mover na faixa de 0,40-0,50%, embora esses níveis ainda sejam muito baixos. No longo prazo, vemos um ponto de equilíbrio de cerca de 2%.

A situação da dívida periférica é semelhante, dada a forte influência do Bund (e da política do BCE) sobre o restante do mercado de dívida. Consideramos que o título espanhol de 10 anos deve render cerca de 1,35% (100 pb acima do Bund). Os títulos do tesouro da Itália devem estar em torno de 2,45%; de Portugal, em cerca de 1,65%; da Irlanda, cerca de 0,65%, e da Grécia, cerca de 4%. Dados os rendimentos mais baixos de todos esses títulos, consideramos que o mercado apresenta sinais claros de excesso e, portanto, esses ativos devem ser evitados.

No Reino Unido, o Gilt de 10 anos iniciaram o ano em 1,1%, mas no Andbank consideramos que um valor razoável seria de 2% e achamos que o Gilt deve estar se movendo em direção a esse nível.

No Japão, a história recente está se repetindo, já que o banco central do país manteve o rendimento de todos os títulos

(incluindo os de vencimentos longos) ancorado em torno de 0%. Não esperamos mudanças em 2019.

Nos mercados emergentes, vemos valor em alguns títulos do governo asiático, especialmente na Índia, Indonésia, Malásia e Tailândia, já que as taxas oferecem maior convergência do que o mercado de dívida ocidental. Também vemos valor em alguns instrumentos de dívida na América Latina, dando preferência aos títulos mexicanos e brasileiros em moeda local (com rendimentos de 7,75% e 8,50%, respectivamente). Também vemos valor nos títulos brasileiros em dólar (com alvo de 4,5%).

Acreditamos que o pior período para os títulos turcos em moeda local terminou e que um rendimento razoável para o título de 10 anos seria de cerca de 15%.

A Rússia também deve se beneficiar desse estreitamento das taxas nas economias emergentes. Estimamos o ponto de equilíbrio para os títulos russos de 10 anos em moeda local em torno de 7,7%.

Mercados de renda variável

Os principais riscos se combinaram para atingir os mercados com força em 2018, tornando-se um ano muito negativo para a maioria dos mercados de renda variável, e esperamos que esses riscos se dissipem em 2019.

O Fed suspendeu a política de restrição monetária, passando de um sistema de corredor para um sistema de piso, o que garante maior liquidez, proporcionando um ambiente mais favorável para os ativos de risco em geral e para os mercados acionários em particular.

Com a adoção por parte do Fed de uma política mais “moderada”, alguma flexibilização das tensões criadas pela guerra comercial entre EUA e China e o risco de recessão, a situação favorece múltiplos de valorização mais altos (PER) em todo o mundo, apesar das tendências de lucro pouco animadoras.

Apresentamos a seguir um resumo de nossas projeções para os mercados de renda variável. EUA (S & P): NEUTRO-POSITIVO. Ponto médio: 2.800; saída: 3.070. Europa (Stoxx 600): NEUTRO Ponto médio: 383; saída: 402. Espanha (IBEX): NEUTRO-POSITIVO. Alvo: 9.700. Japão (N225): NEUTRO Alvo: 22.250. China (Shenzhen): NEUTRO-POSITIVO. Alvo: 1.750. Índia (Sensex): POSITIVO. Alvo: 41.000. México: NEUTRO Brasil: NEUTRO.

Mercados de Commodities

Os preços do petróleo subiram nos primeiros meses de 2019, com um aumento constante nas posições compradas líquidas entre dezembro e o final de março. Essa situação poderia ser explicada pelas indicações sauditas de que os cortes na produção poderiam ser mantidos ao longo de 2019, apesar da insistência de Trump de que a Opep deve interromper a restrição da oferta para manter os preços elevados.

Barkindo, secretário-geral da Opep, afirmou em março que o apoio ao acordo do grupo OPEP para reduzir a oferta está

umentando, um fator que ajudará o mercado de petróleo a lidar com o aumento dos estoques. A crise na Venezuela também representa um desafio para os mercados mundiais, pois ajuda a manter os preços elevados. O agravamento da situação na Venezuela pode causar problemas, pois estima-se que a produção tenha caído para 1,4 milhão de barris por dia, com queda na produção mundial de 240 mil bpd para um total de 30,68 Mbpd. No entanto, observamos que, uma vez superado o gargalo de transporte de petróleo não convencional da plataforma da Bacia do Permiano, haverá um novo aumento na perfuração de petróleo, com a subsequente elevação no fornecimento da commodity. Acreditamos que uma faixa razoável para o petróleo bruto do oeste do Texas seria de 45 a 65 dólares.

Mercado de câmbio

Acreditamos que em 2019 poderemos observar uma divergência no preço do dólar em relação às moedas de economias desenvolvidas ou emergentes. Acreditamos que a punição sofrida por muitas moedas emergentes em 2018 fez com que muitas delas fossem subvalorizadas, por isso esperamos que o movimento de alta do dólar em relação a essas moedas já tenha terminado. Consideramos uma taxa razoável para BRL / USD em torno de 3,75. O ponto de equilíbrio para MXN / USD seria de cerca de 20 e para ARS / USD 44. Os pontos de equilíbrio para as moedas asiáticas seriam de 6,70 para CNY / USD e 72 para IDR / USD.

Por outro lado, esperamos que o dólar desvalorize ainda mais em relação às moedas dos países desenvolvidos. Para EUR / USD, o ponto de equilíbrio em 2019 seria de 1,125, e para JPY / USD seria de 114.

04

Relatório
de auditoria

Relatório de auditoria



KPMG, SLU
Edifici Centre de Negoci
C/ Manuel Cerqueda i Escaler, 6
AD700 Escaldes-Engordany
Principality of Andorra

Independent Auditor's Report in accordance with International Standards on Auditing

To the shareholders
of Andorra Banc Agrícola Reig, SA

Opinion

We have audited the consolidated annual accounts of Andorra Banc Agrícola Reig, SA (the Bank) and subsidiaries (together the Group), which comprise the consolidated statement of financial position at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the explanatory notes to the consolidated annual accounts, which include a summary of significant accounting policies.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the financial position of the Group at 31 December 2018, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by Andorra (IFRS-Andorra) and International Financial Reporting Standards as adopted by the European Union (IFRS-EU).

Basis for Opinion

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

We are independent of the Group in accordance with the IESBA (International Ethics Standards Board for Accountants) Code of Ethics, and have fulfilled our other ethical requirements under the IESBA Code of Ethics.

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



Directors' Responsibility for the Consolidated Annual Accounts

The Bank's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view in accordance with International Financial Reporting Standards as adopted by Andorra (IFRS-Andorra), and for such internal control as the Bank's Directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error. As mentioned in note 2(b) to the accompanying consolidated annual accounts and in accordance with the Decree approving the new accounting framework applicable to entities operating in the Andorran financial system and to Andorran collective investment undertakings, the Directors of the Bank also confirm that the accompanying consolidated annual accounts comply with IFRS-EU.

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

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

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

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

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

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank's Directors.



- Conclude on the appropriateness of the Bank's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

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

KPMG, SLU

Albert Rosés Noguera
31 March 2019

05

Estats Financers
Grup Andbank

Status da Conta Financeiras do Grupo Andbank

Consolidated Financial Statements

Consolidated Statements of Financial Position: Assets

Consolidated Statements of Financial Position: Liabilities

Consolidated Statements of Financial Position: Equity

Consolidated Income Statements

Consolidated Statements of Comprehensive Income

Consolidated Statements of Changes in Equity

Consolidated Statements of Cash Flows

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 - b. Basis of presentation for the consolidated annual accounts
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 - e. Functional and presentation currency
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32. Provisions or reversals of provisions
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36. Balances and transactions with related parties
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41. Transition to IFRS 9
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APPENDIX

Appendix I: Andbank Group companies

Statement of financial position

	Thousands of euros	
ASSETS	31/12/2018	31/12/2017 (re-expressed)
Cash, cash balances with central banks and other demand deposits	1,433,393	1,447,004
Cash	19,556	30,119
Cash balances with central banks	823,096	929,361
Other demand deposits	590,741	487,524
Financial assets held for trading (note 6)	201,326	339,490
Derivatives	74,495	80,720
Equity instruments	1,269	9,635
Debt securities	125,562	249,135
Loans and advances	-	-
Non-trading financial assets mandatorily at fair value through profit or loss (note 7)	56,655	6,436
Equity instruments	6,279	6,436
Debt securities	50,376	-
Loans and advances	-	-
Financial assets designated at fair value through profit or loss (note 8)	-	-
Financial assets at fair value through other comprehensive income (note 9)	418,702	224,032
Equity instruments	20,838	21,107
Debt securities	397,864	202,925
Loans and advances	-	-
Financial assets at amortised cost (note 10)	1,880,725	1,956,170
Debt securities	181,391	291,569
Loans and advances	1,699,334	1,664,601
Derivatives - Hedge accounting (note 11)	-	90
Changes in fair value of hedged items of a portfolio with an interest rate risk hedge (note 11)	3,809	3,863
Investments in subsidiaries, joint ventures and associates (note 12)	2,978	2,000
Assets under insurance and reinsurance contracts	6,863	11,214
Tangible assets (note 13)	30,989	34,282
Property, plant and equipment	24,719	21,879
Investment property	6,270	12,403
Intangible assets (note 14)	268,171	244,212
Goodwill	163,929	157,303
Other intangible assets	104,242	86,909
Tax assets (note 15)	31,764	32,358
Current tax assets	5,575	8,002
Deferred tax assets	26,189	24,356
Other assets (note 16)	74,316	68,304
Non-current assets and disposal groups classified as held for sale (note 17)	33,295	46,965
TOTAL ASSETS	4,442,986	4,416,420

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2018.

	Thousands of euros	
LIABILITIES	31/12/2018	31/12/2017
Financial liabilities held for trading (note 6)	66,227	58,088
Derivatives	66,227	58,088
Short positions	-	-
Deposits	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost (note 18)	3,727,811	3,674,259
Deposits	3,241,894	3,245,242
Debt securities issued	472,618	425,894
Other financial liabilities	13,299	3,123
Derivatives - Hedge accounting (note 11)	7,322	3,089
Changes in fair value of hedged items of a portfolio with an interest rate risk hedge (note 11)	-	-
Liabilities under insurance and reinsurance contracts	6,863	11,214
Provisions (note 19)	17,479	28,693
Tax liabilities (note 15)	18,485	25,027
Current tax liabilities	7,651	15,097
Deferred tax liabilities	10,834	9,930
Share capital repayable on demand	-	-
Other liabilities (note 16)	82,155	80,430
Liabilities included in disposal groups classified as held for sale	-	-
TOTAL LIABILITIES	3,926,342	3,880,800

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2018.

	Thousands of euros	
CAPITAL AND RESERVES	31/12/2018	31/12/2017 (re-expressed)
Capital (note 20)	78,842	78,842
Paid up capital	78,842	78,842
Unpaid and called up capital	-	-
Share premium (note 20)	73,441	73,441
Equity instruments issued other than capital	35,000	35,000
Equity component of compound financial instruments	-	-
Other equity instruments issued	35,000	35,000
Other equity items	-	-
Accumulated other comprehensive income (note 21)	(8,334)	(1,810)
<i>Items that will not be classified to profit or loss</i>	-	-
Tangible assets	-	-
Intangible assets	-	-
Actuarial gains or losses on defined benefit pension plans	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-
Changes in fair value of equity instruments measured at fair value through other comprehensive income	-	-
Changes in fair value of equity instruments measured at fair value through other comprehensive income	-	-
Changes in fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Changes in fair value of equity instruments measured at fair value through other comprehensive income (hedging instruments)	-	-
Changes in fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
<i>Items that may be reclassified to profit or loss</i>	(8,334)	(1,810)
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	12	-
Hedging derivatives Cash flow hedges (effective portion)	(3,753)	-
Changes in fair value of debt instruments measured at fair value through other comprehensive income	(4,593)	(1,810)
Hedging instruments (non-designated items)	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-
Accumulated gains (note 20)	411,782	375,208
Revaluation reserves (note 20)	645	1,942
Valuation adjustments	-	-
Other reserves (note 20)	(100,982)	(65,158)
Reserves or accumulated losses on investments in subsidiaries, joint ventures and associates	38,349	37,755
Other	(139,331)	(102,913)
(-) Treasury shares	(1,927)	(1,605)
Profit/(loss) attributable to owners of the Parent	27,078	39,153
(-) Interim dividend	-	-
Minority interests (non-controlling interests)	1,099	607
Accumulated other comprehensive income	1,099	607
Other items	-	-
TOTAL EQUITY	516,644	535,620
TOTAL EQUITY AND LIABILITIES	4,442,986	4,416,420

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2018.

Consolidated Income Statements

	Thousands of euros	
INCOME STATEMENT	31/12/2018	31/12/2017
Interest income (note 24)	50,711	52,373
Financial assets held for trading	8,699	9,004
Non-trading financial assets mandatorily at fair value through profit or loss	-	6,230
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	5,848	5,615
Financial assets at amortised cost	36,164	31,524
Derivatives - Hedge accounting, interest rate risk	-	-
Other assets	-	-
Interest income	-	-
(Interest expenses) (note 24)	(27,248)	(23,344)
(Financial liabilities held for trading)	-	-
(Financial liabilities designated at fair value through profit or loss)	-	(28)
(Financial liabilities measured at amortised cost)	(26,384)	(20,528)
(Derivatives - Hedge accounting, interest rate risk)	-	-
(Other liabilities)	(864)	(2,788)
(Interest expense on assets)	-	-
(Expenses on share capital repayable on demand)	-	-
Dividend income (note 25)	592	272
Financial assets held for trading	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	592	272
Investments in subsidiaries, joint ventures and others accounted for using the equity method	-	-
Fee and commission income (note 26)	162,847	187,114
(Fee and commission expenses) (note 27)	(43,469)	(40,147)
Gains or losses on derecognition of financial assets and financial liabilities not measured at fair value through profit or loss, net (note 28)	(26)	3,539
Financial assets at fair value through other comprehensive income	(26)	3,539
Financial assets measured at amortised cost	-	-
Financial liabilities measured at amortised cost	-	-
Other	-	-
Financial assets at fair value through other comprehensive income	-	-
Gains or losses on financial assets and financial liabilities held for trading, net (note 28)	33,567	27,467
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net (note 28)	72	-
Gains or losses on financial assets and financial liabilities designated at fair value through profit or loss, net	-	-
Gains or losses from hedge accounting, net (note 28)	(33)	49
Exchange gains/(losses), net (note 29)	8,964	12,303
Gains or losses on derecognition of non-financial assets, net	760	2
Other operating income (note 30)	6,066	7,781
(Other operating expenses) (note 30)	(3,854)	(7,824)
TOTAL OPERATING INCOME/EXPENSES, NET	188,949	219,585

	Thousands of euros	
INCOME STATEMENT	31/12/2018	31/12/2017
(Administrative expenses) (note 31)	(154,776)	(165,034)
(Personnel expenses)	(96,661)	(104,449)
(Other administrative expenses)	(58,115)	(60,585)
(Amortisation and depreciation)	(9,960)	(13,440)
(Tangible assets) (note 13)	(3,252)	(4,023)
(Investment property) (note 13)	(312)	-
(Goodwill)	-	-
(Other intangible assets) (note 14)	(6,396)	(9,417)
Gains or losses for the year		
Financial assets at fair value through other comprehensive income	-	-
Financial assets measured at amortised cost	-	-
(Provisions or reversal of provisions) (note 32)	1,610	(5,975)
(Commitments and guarantees given)	19	-
(Other provisions)	1,591	(5,975)
(Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss) (note 33)	5,931	5,714
(Financial assets at fair value through other comprehensive income)	-	-
(Financial assets at amortised cost)	5,931	5,714
(Impairment or reversal of impairment on investments in subsidiaries, joint ventures and associates) (note 12)	-	(771)
(Impairment or reversal of impairment on non-financial assets) (note 34)	(311)	15
(Tangible assets)	(161)	-
(Investment property)	-	-
(Goodwill)	-	-
(Other intangible assets)	(75)	-
(Others)	(75)	15
Negative goodwill recognised in profit or loss	19	-
Share of the profit or loss of investments in subsidiaries, joint ventures and associates	223	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (note 35)	2,354	3,036
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	34,039	43,130
(Tax expense or income related to profit or loss from continuing operations)	(6,678)	(4,331)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	27,361	38,799
Profit or loss after tax from discontinued operations	-	-
Profit or loss before tax from discontinued operations	-	-
(Tax expense or income related to discontinued operations)	-	-
PROFIT OR LOSS FOR THE YEAR	27,361	38,799
Attributable to minority interest (non-controlling interests)	-283	354
Attributable to owners of the Parent	27,078	39,153

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2018.

Consolidated Statements of Comprehensive Income

	Thousands of euros	
STATEMENT OF COMPREHENSIVE INCOME	31/12/2018	31/12/2017
Profit of loss for the year	27,078	39,153
Other comprehensive income	(6,524)	(1,810)
Items that will not be classified to profit or loss	-	-
Tangible assets	-	-
Intangible assets	-	-
Actuarial gains or losses on defined benefit pension plans	-	-
Non-current assets and disposal groups held for sale	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-
Income tax relating to items that will not be reclassified	-	-
Share of other recognised income and expense of entities accounted for using the equity method	-	-
Changes in fair value of equity instruments measured at fair value through other comprehensive income	-	-
Profit or loss from hedge accounting of equity instruments measured at fair value through other comprehensive income, net	-	-
Changes in fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Changes in fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
Changes in fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
Income tax relating to items that will not be reclassified	-	-
Items that may be reclassified to profit or loss	(6,524)	(1,810)
Hedge of net investments in foreign operations (effective portion)	-	-
Valuation gains or losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	13	-
Translation gains or losses taken to equity	13	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Hedging derivatives Cash flow hedges (effective portion)	(4,170)	-
Valuation gains or losses taken to equity	(4,170)	-
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedging instruments (Non-designated items)	-	-
Valuation gains or losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Debt instruments at fair value through other comprehensive income	(3,092)	(2,011)
Valuation gains or losses taken to equity	(3,092)	(2,011)
Transferred to profit or loss	-	-
Other reclassifications	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Valuation gains or losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-
Income tax relating to items that may be reclassified to profit or loss	725	201
Total comprehensive income for the year	20,554	37,343
Attributable to minority interest (non-controlling interest)	283	-
Attributable to owners of the Parent	20,271	37,343

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2018.

Consolidated Statements of changes in equity

	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Accumulated other comprehensive income
Balance at 31 December 2017	78842	73,441	-	-	(1,810)
Effects of correction of errors	-	-	35,000	-	-
Effects of changes in accounting policies	-	-	-	-	-
Balance at 1 January 2018	78,842	73,441	35,000	-	(1,810)
Issuance of ordinary shares	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-
Capital reduction	-	-	-	-	-
Dividends	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-
Transfers among components of equity	-	-	-	-	-
Equity increase or decrease resulting from business combinations	-	-	-	-	-
Share based payments	-	-	-	-	-
Other increase or decrease in equity	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(6,524)
Balance at 31 December 2018	78,842	73,441	35,000	-	(8,334)

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2018.

Thousands of euros

Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the Parent	(-) Interim dividends	Minority interests		Total
						Accumulated other comprehensive income	Other items	
375,208	1,942	(58,338)	(1,605)	39,153	-	607	-	507,440
-	-	(6,820)	-	-	-	-	-	28,180
-	-	(35,438)	-	-	-	-	-	(35,438)
375,208	1,942	(100,596)	(1,605)	39,153	-	607	-	500,182
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
36,795	(1,297)	-	-	(39,153)	-	-	-	(3,655)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(221)	-	(386)	(322)	-	-	492	-	(437)
-	-	-	-	27,078	-	-	-	20,554
411,782	645	(100,982)	(1,927)	27,078	-	1,099	-	516,644

Consolidated Statements of changes in equity

	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Accumulated other comprehensive income
Balance at 31 December 2016	78,842	73,441	-	-	695
Effects of correction of errors	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-
Balance at 1 January 2017	78,842	73,441	-	-	695
Issuance of ordinary shares	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-
Capital reduction	-	-	-	-	-
Dividends	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-
Transfers among components of equity	-	-	-	-	(695)
Equity increase or decrease resulting from business combinations	-	-	-	-	-
Share based payments	-	-	-	-	-
Other increase or decrease in equity	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(1,810)
Balance at 31 December 2017	78,842	73,441	-	-	(1,810)

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2018.

Thousands of euros

Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the Parent	(-) Interim dividends	Minority interests		Total
						Accumulated other comprehensive income	Other items	
341,595	1,942	(63,018)	(1,605)	44,642	-	1,864	-	478,398
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
341,595	1,942	(63,018)	(1,605)	44,642	-	1,864	-	478,398
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	(22,117)	-	-	-	(22,117)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
33,613	-	6,724	-	(22,525)	-	-	-	(17,117)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	(2,044)	-	-	-	(1,257)	-	(5,111)
-	-	-	-	39,153	-	-	-	37,343
375,208	1,942	(58,338)	(1,605)	39,153	-	607	-	507,440

Consolidated Statements of cash flows

	Thousands of euros	
	31/12/2018	31/12/2017
A) CASH FLOWS USED IN OPERATING ACTIVITIES	(86,860)	(613,846)
Profit for the year	27,078	39,153
Adjustments to obtain cash flows from operating activities	(608)	11,435
Depreciation and amortisation	9,960	13,440
Other adjustments	(10,568)	(2,005)
Net increase/(decrease) in operating assets	(119,364)	145,360
Financial assets held for trading	121,715	90,709
Non-trading financial assets mandatorily at fair value through profit or loss	9,810	-
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(197,786)	-
Financial assets measured at amortised cost	(43,696)	20,188
Other operating assets	(9,407)	34,463
Net increase/decrease in operating liabilities	7,237	(804,773)
Financial liabilities held for trading	9,003	25,946
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost	6,828	(749,850)
Other operating liabilities	(8,594)	(80,869)
Income tax receivable/payable	(1,202)	(5,021)
B) CASH FLOWS FROM INVESTING ACTIVITIES	27,067	136,200
Payments	(40,905)	(33,699)
Tangible assets	(9,572)	(2,837)
Intangible assets	(23,729)	(26,478)
Investments in joint ventures and associates	(6,626)	(4,384)
Subsidiaries and other business units	(978)	-
Non-current assets and liabilities held for trading	-	-
Amounts received	67,972	169,899
Tangible assets	11,358	1,019
Intangible assets	-	-
Investments in joint ventures and associates	-	-
Subsidiaries and other business units	-	-
Non-current assets and liabilities held for trading	16,535	11,320
Financial assets at fair value through other comprehensive income	40,079	157,560
Other amounts received related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	46,182	243,644
Payments	(542)	(5,000)
Dividends	-	(5,000)
Debt securities	-	-
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	(322)	-
Other payments relating to financing activities	(220)	-
Amounts received	46,724	248,644
Debt securities	46,724	248,644
Issue of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other amounts received relating to financing activities	-	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	-	-
E) NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	(13,611)	(234,002)
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,447,004	1,595,411
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,433,393	1,447,004

The accompanying notes form an integral part of the consolidated financial statements for the year ended 31 December 2018.

Notes to the Consolidated Annual Accounts

31 December 2018

1. Nature, Activity and Composition of the Group

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

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

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

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

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

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

As a member of the Andorran financial system, the Andbank Group is subject to the supervision of the AFA, the Andorran financial system's authority which performs its functions independently from the General Administration. The Bank is also subject to compliance with local Andorran legislation (see note 42).

2. Basis of presentation of the consolidated annual accounts

a. Compliance with IFRS as adopted by the Andorran Government

The annual accounts for 2018 have been prepared in accordance with International Financial Reporting Standards as adopted by the Andorran Government (IFRS-Andorra) which are set out in the Decree dated 28 December 2016 which approves the accounting framework applicable to entities operating in the Andorran financial system and to Andorran collective investment undertakings in accordance with the international financial reporting standards as adopted by the European Union (IFRS-EU) which have now been adopted by Andorra, to give a fair view of the consolidated equity, consolidated financial position, consolidated results of operations, consolidated cash flows and changes in consolidated equity of Andorra Banc Agrícola Reig, S.A. and subsidiaries at 31 December 2018 in accordance with the aforementioned framework.

These annual accounts have also been prepared in accordance with IFRS-EU prevailing at the reporting date.

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

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

b. Basis of presentation of the annual accounts

The consolidated annual accounts have been prepared on the basis of the accounting records of Andorra Banc Agrícola Reig, SA and the entities included in the Andbank Group, on a going concern basis, except for Andbank Bahamas which will be wound up in 2019.

The consolidated annual accounts have been prepared using the relevant accounting principles and valuation standards detailed in note 3. No mandatory accounting principles having a significant effect on the consolidated annual accounts have been excluded during their preparation. Since the accounting principles and measurement criteria applied in the preparation of the Andbank Group's 2018 consolidated annual accounts may differ from those used by some of the entities comprising the Andbank Group, certain adjustments and reclassifications have been made in the consolidation process in order to standardise these principles and criteria and bring them into line with IFRS-Andorra and IFRS-EU applied by the Bank.

The consolidated annual accounts for 2017, prepared in accordance with IFRS-Andorra and IFRS-EU in force in 2017, were approved by the shareholders at a general meeting held on 26 April 2018. The 2018 consolidated annual accounts of the Andbank Group and the annual accounts of the entities forming part of the Andbank Group, are pending approval by their respective shareholders. However, the Bank's directors consider that these annual accounts will be approved without any significant changes.

■c. Comparative information

At 31 December 2018 the consolidated annual accounts have been prepared in accordance with IFRS-Andorra and IFRS-EU and based on this accounting framework they include comparative information. The information contained in the accompanying consolidated financial statements at 31 December 2017 and consolidated notes thereto, prepared in accordance with standards prevailing in 2017, is presented solely and exclusively for the purpose of comparison with the information for 2018 and therefore does not constitute consolidated annual accounts of the Andbank Group for 2018.

IFRS 9 Financial instruments replaces IAS 39 Financial instruments: Recognition and measurement as of 1 January 2018 and includes modifications in the requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting (see note 3.b). The effects of first-time adoption of IFRS 9 are shown in note 41.

As a result of the application of IFRS 9, comparative information for 2017 disclosed in these consolidated annual accounts has been subject to certain immaterial modifications for the purpose of improving the comparability with figures for 2018.

Details referring to 2017 are presented for comparative purposes and have been prepared following the measurement policies and criteria which were previously applicable in accordance with IAS 39.

Furthermore, the consolidated statements of financial position, consolidated income statements, consolidated statements of comprehensive income, consolidated statement

of changes in equity, consolidated statements of cash flows and the consolidated notes thereto include, in addition to the figures for the year ended 31 December 2018, comparative figures for 2017, which formed part of the consolidated annual accounts for the year ended 31 December 2017 approved by the shareholders, except for the corrections of errors detailed in note 2(d).

■d. Changes in accounting criteria and correction of errors

The consolidated statements of financial position, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2018 include comparative figures for 2017, which differ from those approved by the shareholders at a general meeting held on 26 April 2018 as a result of the corrections detailed below:

- A reclassification of Euros 6,820 thousand has been made, net of tax, corresponding to tangible and intangible assets which fail to meet the conditions set out by IFRS-EU for their capitalisation, arising from the impact of the first-time adoption of IFRS-EU during 2017.
- A reclassification of Euros 35,000 thousand has been made, arising from the impact of the first-time adoption of IFRS-EU for 2017, corresponding to the contingent securities issued by the Bank. This reclassification is due to the fact that, in accordance with the terms and conditions of the contingent securities, these instruments meet the definition of equity instruments issued which differ from capital, set out in IFRS-EU.

The following statement of financial position items for 2017 have been affected by the corrections:

STATEMENT OF FINANCIAL POSITION	Presented at 31 December 2017	Re-expressed	Re-expressed at 31 December 2017
Tangible assets	34,788	(506)	34,282
Intangible assets	251,284	(7,072)	244,212
Deferred tax assets	23,598	758	24,356
Total assets	4,423,240	(6,820)	4,416,420
Financial liabilities at amortised cost - Debt securities	460,894	(35,000)	425,894
Total liabilities	3,915,800	(35,000)	3,880,800
Equity instruments issued other than capital - Other equity instruments issued	-	(35,000)	35,000
Other reserves	(58,338)	(6,820)	(65,158)
Total equity	507,440	28,180	535,620

These corrections are shown in the accompanying consolidated statement of changes in equity for 2018.

■e. Functional and presentation currency

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

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

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

(i) RELEVANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

(ii) RELEVANT JUDGEMENTS

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

Applicable solely to 2018:

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

Applicable to 2018 and 2017:

- Determination of control over investees.

g. New requirements of the IFRS introduced in 2018

During 2018 the following standards, amendments and interpretations published by the IASB and approved for their adoption in the European Union and Andorra have come into force:

Standards and interpretations approved for their adoption in the European Union and Andorra		Mandatory adoption - years beginning on or after:
IFRS 9 Financial instruments	This includes amendments to the requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting (see note 3.b).	1 January 2018
IFRS 15 Revenue from contracts with customers	New standard for recognition of revenue from contracts for the sale of goods and services to customers.	1 January 2018
Amendments to IFRS 2 Classification and measurement of share-based payment transactions	Sets out requirements in relation to the classification and measurement of share-based payment transactions.	1 January 2018
Adoption of IFRS 9 Financial instruments with IFRS 4 Insurance contracts	These cover the accounting consequences of applying IFRS 9.	1 January 2018
Amendments to IAS 40 Investment property	The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use.	1 January 2018
Annual improvements to IFRS 2014-2016	These introduce amendments to IFRS 1 and IAS 28.	1 January 2018
IFRIC 22 Foreign currency transactions and advance consideration	The interpretation refers to how to determine the date of a transaction and therefore, the exchange rate to use on initial recognition of the related asset, expense or income.	1 January 2018

Of all the standards, amendments and interpretations adopted at 1 January 2018, IFRS 9 has had a significant impact on the Andbank Group's financial statements at 31 December 2018. IFRS 9 supersedes IAS 39 and includes requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting (see note 3.b).

Due to the transition method chosen by the Andbank Group when applying IFRS 9, the comparative information in the financial statements has not been re-expressed. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 have been

recognised in Other reserves at 1 January 2018 (see note 41). Consequently, the information presented for 2017 does not reflect the requirements of IFRS 9 and, therefore, is not comparable with the information presented for 2018 in accordance with IFRS 9 (see note 3.b).

h. Recent IFRS pronouncements

At the date these consolidated annual accounts were authorised for issue, the most significant standards, amendments and interpretations published by the IASB and approved for their adoption in the European Union, but which are still pending approval for adoption in Andorra, are as follows:

Standards and interpretations approved for their adoption in the European Union and pending approval for adoption in Andorra		Mandatory adoption - years beginning on or after:
IFRS 16 Leases	New standard on leases which replaces IAS 17: This standard introduces a single accounting model for lessees.	1 January 2019
IFRIC 23 Uncertainty over income tax treatments	Uncertainty over income tax treatments: The standard clarifies how to apply the recognition and measurement requirements of IAS 12 when uncertainty over income tax treatment exists.	1 January 2019
Amendments to IFRS 9 Financial instruments	Prepayment features with negative compensation: This enables entities to measure certain prepayable financial assets with negative compensation at amortised cost or fair value through accumulated other comprehensive income if they meet certain conditions.	1 January 2019
Amendments to IAS 28 Investments in Associates and Joint Ventures	Long-term interests in associates and joint ventures: shall affect companies that finance entities with preference shares or loans for which redemption/repayment in the near future is not expected (known as long-term interests).	1 January 2019

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

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

Standards and interpretations pending approval for their adoption in the European Union and Andorra		Mandatory adoption - years beginning on or after:
Amendments to IAS 19	Plan amendment, curtailment or settlement: Amendment in relation to the accounting of amendments, curtailments or settlements of an employee benefits plan	1 January 2019
Annual improvements to the IFRS 2015-2017 cycle	These introduce amendments to the following standards: IFRS 3 Business combinations IFRS 11 Joint arrangements. IAS 12 Income taxes IAS 23 Borrowing costs	1 January 2019
Amendments to references to the conceptual framework of IFRS	The revised conceptual framework is more complete than the previous framework: its aim is to provide a complete series of tools for standard configuration. It covers all the aspects of the standard configuration from the objective of financial reporting to presentation and disclosure. Likewise, the majority of the concepts are not new: the revised framework encompasses the thinking adopted in recent standards.	1 January 2020
IFRS 17 Insurance contracts	This sets out the principles that an entity must apply to account for insurance contracts: This new standard replaces IFRS 4. The new standard introduces a single accounting model for all insurance contracts and requires that entities use assumptions in line with their estimates.	1 January 2021
Amendment of IFRS 10 Consolidated financial statements IAS 28 Investments in associates and joint ventures	Sale or contribution of assets between an investor and its associate or joint venture: When a parent loses control of a subsidiary in a transaction with an associate or joint venture, there are discrepancies between the existing consolidation guidance and the accounting of equity. The amendments require that the total gain is recognised when the transferred assets meet the definition of a "business" in accordance with IFRS 3 Business combinations.	Available for optional adoption

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

3. Relevant accounting principles and valuation standards

■a. Business combinations and consolidation principles

The consolidated financial statements of the Andbank Group at 31 December 2018 and 2017 have been prepared by the management of the Bank.

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

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

(I) SUBSIDIARIES

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

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

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

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

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

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

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

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

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

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

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

(II) JOINT VENTURES (JOINTLY-CONTROLLED ENTITIES)

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

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

(III) ASSOCIATES

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

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

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

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

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

(IV) ANDBANK GROUP COMPANIES

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

A brief description of the significant events arising in the Andbank Group companies during 2018 and 2017 is as follows:

On 28 March 2017 the AFA granted prior authorisation to increase the capital of the Uruguayan subsidiary APW Uruguay, by capitalising a credit facility, for an amount of Euros 2,108 thousand.

On 30 December 2017 the AFA granted prior authorisation to perform a series of transactions, including the capitalisation of participating loans extended by Andbank to ANDPRIVATE CONSULTING, SL totalling Euros 5,355 thousand, the sale of its entire interest (99.9%) in ANDPRIVATE CONSULTING, SL to ANDBANK ESPAÑA, S.A.U. and the merger of ANDPRIVATE CONSULTING, SL with APC SERVICIOS ADMINISTRATIVOS, SL. a company wholly-owned by ANDBANK ESPAÑA, SAU.

On 4 May 2017 share capital was increased (registered with the AFA) in the Brazilian investee ANDBANK (BRASIL) HOLDING FINANCEIRA LTDA. and the resulting share capital stood at Brazilian Reals 132,026 thousand.

The purpose of this share capital increase was for the subsequent increase in the capital of BANCO ANDBANK (BRASIL), S.A. which was registered with the AFA on 1 June 2017. The new share capital of this entity stood at Brazilian Reals 136,786 thousand, divided into 200,197,809 ordinary shares.

On 7 July 2017 the AFA agreed to give prior authorisation to the Bank's acquisition of a 100% interest in the shares of the newco AB COVERED BONDS DAC in Ireland. This company was created for the purpose of purchasing a mortgage loan portfolio from Andbank (mortgage loans extended by the Bank to customers), in order to carry out an issue through the EMTN issue programme which is secured by the aforementioned portfolio.

On 23 November 2017 the AFA agreed to authorise the incorporation of the Andorran mercantile company AB SYSTEMS, SAU, the statutory activity of which is to render IT and asset management services using IT programs and equipment. On 1 December 2017 the Bank granted the incorporation deed for the aforementioned company.

On 30 November 2017 the AFA agreed to authorise the winding up and liquidation of the Panamanian company (a wholly-owned subsidiary of ANDBANK (PANAMÁ), S.A.) called ANDPRIVATEWEALTH SECURITIES, S.A., which had been previously authorised by the Superintendency of the Securities Market of Panama on 23 February 2017. This transaction was completed in 2018.

On 9 March 2018 the AFA granted authorisation to wind up and liquidate the company domiciled in the British Virgin Islands, APW INTERNATIONAL ADVISORS, LTD. This company was liquidated in 2018, as accredited by the AFA by means of a dissolution certificate dated 18 June 2018.

On 12 March 2018 the AFA granted prior authorisation to liquidate and extinguish the Andorran mercantile company CLAU D'OR, SLU. On 20 December 2018 the company's deed of liquidation and extinguishment was granted.

On 21 December 2017 the AFA gave authorisation for the acquisition of a 16.3% interest from a shareholder of the Israeli company SIGMA M. PARTNERS LTD, which carries out lines of business which are complementary to financial advisory services, for an amount of Israeli Shekels 890 thousand.

Authorisation was also given for the acquisition of newly created shares representing 40% of the share capital of SIGMA M PARTNERS LTD, for an amount of Israeli Shekels 2,000 thousand. These two transactions resulted in the Bank obtaining a 49.78% interest in the share capital of Sigma M Partners, which was formalised on 11 January 2018.

On 21 December 2017 the AFA gave prior authorisation for the acquisition of an additional interest of 5.74% in SIGMA INVESTMENT HOUSE LTD for an amount of Israeli Shekels 1,610 thousand. The acquisition was carried out on 11 January 2018, with the Bank attaining a 65.74% interest in the aforementioned company.

On 25 October 2015 the AFA authorised share capital increases in ANDBANK (BRASIL) HOLDING FINANCEIRA, LTDA and BANCO ANDBANK (BRASIL), SA for an amount of up to Euros 20 million for each of the transactions. The share capital of Andbank (Brasil) Holding Financeira Ltda increased from Brazilian Reals 132,026 thousand to Brazilian Reals 216,385 thousand and the share capital of BANCO ANDBANK (BRASIL), SA rose from Brazilian Reals 136,786 thousand to Brazilian Reals 211,145 thousand. On 8 November 2018 a letter was received from the Central Bank of Brazil to execute the aforementioned share capital increase.

On 23 November 2018 the AFA granted prior authorisation for ANDBANK ESPAÑA, SAU's acquisition of up to 100% of MERCHBAN, S.A. This transaction was carried out on 27

December 2018. The Spanish Securities Market Commission (CNMV) has notified our Spanish banking subsidiary that on 5 December 2018 the CNMV Executive Committee adopted the resolution not to oppose the acquisition of a significant indirect interest in the capital of MERCHBANC, S.A., SGIIC and MERCHBOLSA AGENCIA DE VALORES, SA. companies wholly owned by MERCHBAN, SA, as a result of ANDBANK ESPAÑA, S.A.'s acquisition of the share capital of MERCHBAN, S.A. As a result of this acquisition of Merchban, S.A., the entities Merchban International, SARL, Merch Gestión Inmobiliaria, SL and Merchban EGFP, SA were acquired indirectly.

On 27 July 2017 the AFA authorised the purchase of all the shares of various Brazilian companies of the ANDBANK Group. On 7 April 2017 the Banco Central Do Brasil (BACEN) granted prior authorisation for the restructuring of the shareholding of the ANDBANK Group in Brazil. As a result of these transactions, carried out in 2017, the Bank acquired an additional 22.06% interest in Andbank Participações, Ltda (formerly LLA Participações Ltda).

On 17 July 2017 the AFA granted prior authorisation for the Brazilian company APW CONSULTORES FINANCEIROS LTDA ("APW") to capitalise the whole of the amount drawn down from the credit facility provided by ANDBANK in its favour and to reduce its share capital by offsetting all the accumulated losses prior to the share capital increase date. On 4 October 2017 and as a result of the recent changes in the share capital of APW, share capital stood at Brazilian Reals 4,797 thousand, divided by 4,797,643 shares at a value of Brazilian Reals 1 each.

-b. Financial instruments

(I) CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Classification and measurement of financial assets and financial liabilities in accordance with IFRS 9 (applicable to 2018)

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

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

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

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, measured at fair value through other comprehensive income, measured at fair value through profit or loss and held for trading. Therefore, the standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

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

- A financial instrument is classified in the amortised cost portfolio when it is held within a business model, whose objective is to hold the financial instrument in order to collect contractual cash flows and comply with the SPPI test.
- A financial instrument is classified under financial assets at fair value through other comprehensive income if the financial instrument is held within a business model, whose objective is achieved by both collecting contractual cash flows, and selling and complying with the SPPI test.
- A financial instrument is classified at fair value through profit or loss provided that the Andbank Group's business model for its management or the characteristics of its contractual cash flows, means that it should not be classified in any of the aforementioned portfolios.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. A new aspect introduced by IFRS 9 is the recognition of fair value changes of financial liabilities designated under the fair value option. In this case, changes in the fair value that are attributable to changes in the credit risk are presented in other comprehensive income, whilst the remaining amount of change is presented in profit or loss. In any case, the change in the credit risk may be recognised in profit or loss if the treatment described above generates an accounting mismatch.

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

- **Amortised cost:** These include financial instruments held within a business model whose objective is to collect principal and interest contractual cash flows, over those where no significant unjustified sales exist and fair value is not a key factor in managing these changes. Unjustified sales are those that are different from sales related to an increase in the asset's credit risk, with unanticipated funding

needs (stress case scenarios), even if such sales are significant in value, or from sales of assets that no longer meet the credit criteria specified in the investment policy. Additionally, the contractual cash flow characteristics substantially represent a "basic financing agreement".

Initial and subsequent measurement:

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

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

Initial measurement:

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

Subsequent measurement:

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

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

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

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

can only be included in this portfolio on the date of their acquisition or when they originate.

Initial measurement:

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

Subsequent measurement:

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

Classification and measurement of financial assets and financial liabilities in accordance with IAS 39 (applicable to 2017)

Financial assets are recognised in the consolidated financial statement of position in the different categories for the purpose of their management and measurement: Financial assets held for trading, Financial assets at fair value through profit or loss, Available-for-sale financial assets, Loans and receivables and Investments held to maturity, except where they have to be presented as Non-current assets for sale or correspond to Cash and cash balances with central banks or Hedging derivatives, which are presented individually.

Likewise, financial liabilities are classified in the following categories: Financial liabilities held for trading, Financial liabilities at fair value through profit or loss and Financial liabilities at amortised cost, except where they have to be presented as Liabilities associated with non-current assets held for sale or correspond to Adjustments to financial liabilities due to macro hedging or Hedging derivatives which are presented independently.

- Financial assets and financial liabilities held for trading: this is mainly formed of financial assets/liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term or which are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Short positions of securities as a result of the sale of assets sold under non-optional repurchase agreements or securities loaned are also considered as held to maturity portfolios. Lastly, asset and liability derivatives which do not meet the definition of a financial guarantee contract or do not qualify as hedging instruments are also designated as part of the trading portfolio.
- Financial assets and financial liabilities at fair value through profit or loss: include those financial instruments designated by the Andbank Group upon initial recognition, such as for example hybrid financial assets and liabilities which have to be fully measured at fair value, as well as financial assets which are managed together as Liabilities under insurance contracts measured at fair value, or with financial derivatives to reduce exposure to changes in fair value or are managed together with financial liabilities and derivatives for the

purpose of reducing the global interest rate risk exposure. In general, this category includes all those financial assets which, in being classified as such, eliminate or significantly reduce a measurement or recognition inconsistency (accounting mismatches).

The financial instruments in this category must be permanently subject to an integrated and consistent system of measuring, managing and controlling risks and results, which enables it to be proven that the risk is effectively reduced. Financial assets and financial liabilities can only be included in this portfolio on the date of their acquisition or when they originate.

- Available-for-sale financial assets: these comprise debt and capital instruments which have not been classified in other categories.
- Loans and receivables: these include financing extended to third parties in connection with the ordinary lending activities carried out by the Andbank Group, and receivables from purchasers of goods and users of services. They also include unquoted debt securities or debt securities which are traded on markets which are not sufficiently active.
- Held-to-maturity investments: these contain the debt securities traded in an active market with fixed maturity and cash flows for a determined or determinable amount, and for which there exists the intention and proven capacity for these items to be held in portfolio until maturity date.
- Financial liabilities at amortised cost: these include financial liabilities which have not been classified as trading portfolio or as other financial liabilities at fair value through profit or loss. The balances recognised in this category correspond to the normal activities of obtaining funds carried out by credit institutions, irrespective of the type of operation or its maturity.

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

(II) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets in accordance with IFRS 9 (applicable to 2018)

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss model. The new impairment model also applies to financial assets at amortised cost and financial assets at fair value through other comprehensive income, but not to equity investments and financial guarantee contracts and loan commitments that can be unilaterally revoked by the Bank. Likewise, the business model excludes all financial instruments measured at fair value through profit or loss.

When measuring financial assets or financial liabilities it will always be considered whether they are held for trading or whether

they are mandatorily measured at fair value through profit or loss, financial assets and financial liabilities at amortised cost or financial assets measured at fair value through other comprehensive income, separating the equity instruments designated as such from the remaining financial assets.

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

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

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

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

Impairment of financial assets in accordance with IAS 39 (applicable to 2017)

A financial asset is considered to be impaired when there is objective evidence of a negative impact on the future cash flows that were estimated at the transaction date, or when the carrying amount is not fully recoverable. A reduction of the fair value to below acquisition cost does not of itself constitute evidence of impairment.

As a general rule, the carrying amount of impaired financial instruments is recognised under Impairment losses on financial assets (net) on the income statement for the period in which impairment has occurred, and the reversal, if any, of previously recognised impairment losses is recognised in the same line item of the income statement for the period in which the impairment is eliminated or reduced.

Debt instruments carried at amortised cost

Based on the loan loss risk attributable to the customer or to the transaction, these are classified in one of the following categories:

- Standard exposures: these include instruments which fail to meet the requirements to be classified in other categories.
- Doubtful exposures:

- As a result of borrower arrears includes the total amount of debt instruments, whosoever the borrower and whatever the guarantee or collateral, in any part of whose principal, interest or contractually agreed expenses is more than 90 days past due, unless such instruments should be classified as being written off.

The refinancing or restructuring of transactions that have amounts past due does not interrupt arrears, nor are they reclassified as standard exposures unless there is reasonable certainty that the customer is able to make payment in the timeframe foreseen or can provide new effective guarantees.

Effective guarantees are considered to be pledge guarantees over monetary deposits, quoted equity instruments and debt securities issued by creditworthy issuers; mortgage guarantees on finished housing, offices and multi-purpose buildings and rural property, deducting, where applicable prior charges; and personal guarantees such as guarantees, collateral or the incorporation of new holders, which implies the direct and joint responsibility to the Andbank Group falls on new guarantors, which are individuals or entities whose solvency is sufficiently verified to ensure the full reimbursement of the transaction under the established terms.

- **For reasons other than arrears:** includes debt instruments, whether past due or not, which are not classifiable as write-off or doubtful due to borrower arrears, but for which there are reasonable doubts about their full repayment under the contractual terms.

As a general rule, only legally claimable expenses such as notary and court procedural representative expenses are capitalised and therefore increase the amount of the debt.

- Write-off this category includes debt instruments, whether past due or not, for which the Andbank Group, after analysing them individually, considers the possibility of recovery to be remote and they are derecognised without prejudice to any actions that may be taken by the Andbank Group to collect the amount until the rights extinguish in full either by becoming time-barred, through debt forgiveness, or for other reasons.

Except with evidence to the contrary, this category includes all debits, except for amounts covered with sufficient efficient guarantees, when the borrowers undergo evident and irrecoverable impairment of their solvency, when the phase involving liquidation of the creditors' agreement has been declared or when more than four years have elapsed since their classification as doubtful as a result of borrower arrears.

For the purpose of determining whether a financial asset or a group of financial assets has undergone impairment it is analysed at the end of each period whether there is objective evidence thereof. The main events which could be indicative of the existence of impairment are:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as default or late payment of interest or principal;

- concessions or advantages granted to the borrower for economic or legal reasons relating to the financial difficulty that the lender would not otherwise consider;
- it is probable that the borrower will enter insolvency or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- there is observable data which indicates that there exists a detrimental impact on the estimated future cash flows of a group of financial assets since initial recognition. However, the decrease cannot be identified using individual financial assets of the group, with this data including:
 - adverse changes in the payment status of borrowers of the group of assets.
 - local or national economic conditions that are linked to defaults in assets of the group.

In order to determine impairment losses the loan portfolio is segmented based on internal credit risk management models, grouping financial assets based on similar credit risk characteristics of the debtors which are indicative of their capacity to pay the full amounts due. The analysis is carried out:

- Individually: impairment losses of all the transactions of a significant amount of assets classified as doubtful as a result of borrower arrears are estimated individually taking into consideration the age of the default amounts, the guarantees provided and the economic situation of the customer and guarantors. The limit for the analysis of transactions has been set at those transactions of the Andbank Group amounting to more than Euros 1 million..
- Collectively: the calculation of impairment losses for the remaining transactions classified as doubtful as a result of borrower arrears is carried out collectively, grouping together those instruments which have similar credit risk characteristics and which are indicative of the debtors' capacity to repay the owed amounts, principal and interest, in accordance with the contractual terms. The credit risk characteristics taken into account to group the assets are, inter alia: the type of instrument, sector of activity of the debtor, geographical area of the activity, type of guarantee, ageing of past-due amounts and any other relevant factor to estimate future cash flows.

On the basis of the information provided by its internal management models, Andbank has a methodology for calculating uncorrected losses based on the result of three factors: exposure at impairment (EAI), probability of impairment (PI) and loss given impairment (LGI).

As a general rule, the amount of an impairment loss incurred on these instruments is equal to the positive difference between their respective carrying amounts and the present values of their estimated future cash flows for the recoverability of assets forming part of the guarantee, where applicable.

In the estimate of hedging due to impairment of instruments classified as doubtful as a result of borrower arrears determined collectively, the historical percentage of the loss associated with the type of guarantee is applied with its discounted value at the original interest rate of the transaction, for those cases in which recoverability is expected in a subsequent period.

In the case of debt instruments which have collateral, the value of the rights received in guarantee is taken as the best estimate of the recoverable amount of these instruments, provided that the rights are charged first and are duly incorporated and registered in favour of the Andbank Group.

In order to determine the value of rights received in guarantee, the lower between the deed cost or certified cost of the asset and the appraisal value in its current condition is used. When the date that the asset was registered by deed has long past, the amount of the asset shall be adjusted using an indicator which adequately reflects the variation in the cost between the deed date and estimation date.

The outstanding risk which exceeds the value of the guarantee is considered as a transaction without collateral. In addition, the performance of the undrawn amount shall be taken into consideration in those transactions which have become doubtful, in order to calculate the EAI of standard transactions. In this regard, in those segments where there are doubtful transactions throughout the year, it shall be observed how the undrawn amount of these transactions has performed during the analysis. The exchange rate shall be applied to the standard exposure to obtain the EAI. This factor applied to the outstanding standard risk is called the credit conversion factor and is defined in Regulation (EU) no. 575/2013 as follows: the ratio of the currently undrawn amount of a commitment that could be drawn and that would therefore be outstanding at default to the currently undrawn amount of the commitment, the extent of the commitment being determined by the advised limit, unless the unadvised limit is higher.

Available-for-sale debt securities

Impairment losses on debt securities included in the available-for-sale financial assets portfolio equal the positive difference between their acquisition cost (net of any principal amortisation) and fair value, after deducting any impairment loss previously recognised in the income statement. The market value of quoted debt instruments is considered a fair estimate of the present value of their future cash flows.

When there is objective evidence that the positive differences arising on measurement of these assets are due to impairment, they are no longer recognised in equity as Valuation adjustments - Available-for-sale financial assets and are recognised in the consolidated income statement for the amount considered to be the accumulated impairment loss to date. If all or part of the impairment losses are subsequently recovered, the amount is recognised in the income statement for the period in which the recovery occurred.

Available-for-sale equity instruments

Impairment losses on equity instruments included in the available-for-sale financial assets portfolio equal the positive

difference between their acquisition cost and fair value, after deducting any impairment loss previously recognised in the income statement.

When there is objective evidence of impairment, such as a 40% reduction in the fair value or sustained losses over a period of more than 18 months, unrealised losses are recognised in accordance with the recognition criteria for impairment losses applied to the debt securities classified as available-for-sale, except in the case of any recovery arising from these losses recognised in equity under Valuation adjustments - Available-for-sale financial assets.

Equity instruments measured at acquisition cost

The impairment losses on equity instruments measured at acquisition cost are the positive difference between their carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities. The estimate of impairment of these kinds of asset takes into consideration the equity of the investee, except for valuation adjustments due to cash flow hedges, determined based on the most recently approved consolidated statement of financial position, adjusted by unrealised gains at measurement date.

Impairment losses are recognised in the income statement for the period in which they arise as a direct reduction of the cost of the instrument.

(III) TRANSFERS AND DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

- If the risks and rewards of ownership of the financial asset are transferred substantially, (as in the case of unconditional sales, sales of financial assets under an agreement to repurchase them at their fair value at the date of repurchase, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitisation of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to new holders, inter alia), the transferred financial asset is derecognised in the consolidated statement of financial position and any right or obligation retained or created in the transfer is recognised simultaneously.
- If the risks and rewards inherent to ownership of the transferred financial asset are substantially retained (such as in the case of financial assets sold under an agreement to repurchase them at a fixed price or at the sale price plus a lender's return, the securities loan agreements in which the borrower is under the obligation to return these securities or similar assets or other similar situations) they are not derecognised in the consolidated statement of financial position and continue to be measured using the same criteria used prior to the transfer and the following are recognised:
 - An associated financial liability for an amount equal to that of the consideration received, which is measured subsequently at amortised cost, unless the requirements are met for classifying it as other liabilities at fair value through profit or loss.
 - Income from the transferred financial asset that is not derecognised and any expense incurred on the new financial liability without being offset.
- If all the risks and rewards associated with the transferred financial assets are neither substantially transferred nor retained (i.e. sale of a financial asset with a call option acquired or put option written in or outside the market, securitisation in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases) a distinction is made between:
 - If the transferor does not retain control of the transferred financial asset, it is derecognised from the consolidated statement of financial position and any right or obligation retained or created in the transfer is recognised.
 - If the transferor retains control of the transferred financial asset, it continues to recognise the asset in the consolidated statement of financial position for an amount equal to its exposure to changes in value and recognises a financial liability associated with the transferred asset. The net amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained, if the asset is measured at amortised cost; or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

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

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

(IV) OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

At 31 December 2018 there are no offset financial asset and financial liability positions.

(V) HEDGE ACCOUNTING

Hedge accounting in accordance with IAS 39 (applicable to 2017)

The Andbank Group uses financial derivatives as a tool to hedge financial risks. When these transactions meet certain requirements, they are considered as hedging transactions.

When the Andbank Group designates a transaction as a hedging transaction, it does so from the date of inception of the transactions or instruments included in the hedge, and documents the hedging transaction, in accordance with current regulatory requirements. The hedge accounting documentation includes a clear identification of the hedged item(s) and the hedging instrument(s), the nature of the risk being hedged and the criteria or methods used to assess the effectiveness of the hedge over its duration, taking into account the risk to be hedged. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness (irrespective of whether recognised or not) that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

The Andbank Group only applies hedge accounting for hedges that are considered highly effective. A hedge is regarded as highly effective if, during its expected life, the changes in the fair value or cash flows of the hedged item that are attributable to the risk being hedged in the operation are almost fully offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument(s).

To measure the effectiveness of hedges defined as such, the Andbank Group analyses whether, from the inception to the end of the term defined for the hedge, it can expect, prospectively, that the changes in fair value or cash flows of the hedged item that are attributable to the hedged risk will be

almost completely offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument(s) and, retrospectively, that the actual results of the hedge are within a range of 80% to 125% of the results of the hedged item.

The valuation methods used to estimate the fair value of the hedged and hedging instruments are in line with best market practices and both the retrospective and prospective effectiveness measurements meet the regulatory requirements:

- Effectiveness of the hedge is within a range of 80%-125%.
- The formula used for the retrospective valuation of the hedge is as follows:

80% >	$\frac{\text{(PV variation + Realised for month) of the hedging items}}{\text{(PV variation + Realised for month) of the hedged items}}$	≤ 125%
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PV: Present value or fair value, is the present valuation of future cash flows of the transaction.

Realised: flows already settled from the transaction.

- The evaluation is carried out at least every time the Bank prepares its financial statements using retrospective methods and every day using prospective methods.
- VaR and sensitivity methods verify the high statistical matching between the variations in fair value of the hedged item and the item to be hedged which arise from the hedged risk (mainly interest rate risk).
- VaR and sensitivity measurements take into consideration the time value of money (sensitivities based on cash flow discounting and therefore, on present values).
- The prospective method verifies that the sensitivity ratio of the item to be hedged and the sensitivity of the hedging instruments falls within a range of 80%-125%.
- The hedging transactions performed by the Andbank Group are classified into two categories:
 - Fair value hedges that hedge the exposure to changes in fair value of financial assets or liabilities or unrecognised firm commitments, or an identified portion of such assets, liabilities or firm commitments, that is attributable to a particular risk, provided that it affects profit or loss.
 - Cash flow hedges that hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a financial asset or financial liability or a highly probable forecast transaction, provided that it affects profit or loss.

In fair value hedges, the gain or loss on the hedging instruments and the hedged items attributable to the type of risk being hedged are recognised in profit or loss. In fair value macro

hedges, differences in the valuation of hedged items, attributable to interest rate risk are directly recognised in the income statement, but instead of recognising the balancing entry in line items where hedged items are recorded, it is recognised under Adjustments to financial assets for macro hedging or Adjustments to financial liabilities due to macro hedging, based on the nature of the hedged item. In the event that the derivative is not to be commercialised, nor does it serve to hedge any risk, any loss or gain will be recognised directly in the income statement.

In cash flow hedges the effective portion of the variation in the value of the hedging instrument is recognised temporarily under Valuation adjustments - Cash flow hedges in equity until the hedging transactions take place. As of this moment, the amounts previously recognised in equity are taken to the income statement symmetrically to the hedged cash flows.

When hedging derivatives cease to meet the requirements to be considered as such, they are reclassified as trading derivatives. In the case of fair value hedges the previously recognised adjustments to the hedged item are recognised in the income statement using the effective interest rate method resulting at the date of discontinuance. In the case of cash flow hedges the accumulated amount of the hedging instrument recognised in equity is maintained until the hedging transaction takes place, when it is recognised in the income statement, unless it is expected that the transaction will not take place and therefore it is recognised immediately.

On the whole, the Andbank Group individually hedges the market risk associated with derivatives contracted with customers using symmetrical derivatives in the market and it recognises both in the trading portfolio. As a result, the position risk or market risk generated by this transaction is immaterial.

Hedge accounting in accordance with IFRS 9 (applicable to 2018)

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

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

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

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

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

(VI) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Process of determining the fair value

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

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

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

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

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

Valuations obtained for internal models could differ if other methods or assumptions had been applied in the interest rate risk, credit risk spreads, market risk, currency risk or in the corresponding matching and volatility. Nevertheless, the directors of the Andbank Group consider that the models and techniques applied adequately reflect the fair value of the

financial assets and financial liabilities recognised in the consolidated statement of financial position, as well as the results generated by these financial instruments.

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

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

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

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

Transfers between levels

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

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

Sensitivity analysis

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

Credit valuation adjustments

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

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

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

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

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

-c. Equity instruments issued

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

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

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

- There is a contractual obligation to deliver cash or another financial asset to another entity;
- There is a contractual obligation to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable (to the issuer of the instrument); or
- It is a non-derivative for which the issuer is obliged to deliver a variable number of its own equity instruments; or

- A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

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

■d. Financial guarantees

Financial guarantees issued

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

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

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

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

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

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

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

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

Financial guarantees received

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

■e. Tax assets and liabilities

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

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

At the end of each reporting period foreign currency monetary items are converted into Euros using the average exchange rate of the spot currency market corresponding to each year end. Non-monetary items valued at their historical cost are converted to Euros at the exchange rate in force at the purchase date and non-monetary items valued at their fair value are converted at the exchange rate in force at the date on which such fair value was determined.

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

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

The exchange differences produced when converting the balances in foreign currency to the functional currency of the Andbank Group are generally recognised under Exchange gains/losses (net) in the consolidated income statement. However, the exchange differences arising from changes in the value of non-monetary items are recognised under equity in the consolidated statement of financial position when arising, whilst exchange differences arising on financial instruments classified at fair value through profit or loss are recognised in the consolidated income statement, without differentiating them from the other changes in fair value.

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

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

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

•f. Recognition of income and expenses

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

Interest income and expenses, dividends and similar items

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

Fees and commissions

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

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

Non-finance income and expense

These are recognised for accounting purposes on an accrual basis.

Deferred collections and payments

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

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

Investment funds and pension funds managed by the consolidated companies are not recognised in the Andbank Group's consolidated statement of financial position because the fund assets are owned by third parties. Fees and

commissions accrued during the year for this activity are recognised under Fees and Commissions received in the consolidated income statement.

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

•h. Employee benefits

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

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

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

Short-term employee benefits

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

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

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

Post-employment benefits

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

Other long-term employee benefits

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

which are recognised under Provisioning expense in the consolidated income statement.

•i. Income tax

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

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

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

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

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

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

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

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

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

•j. Indirect tax on goods delivered, services rendered and imports

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

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

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

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

•k. Non-resident income tax

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

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

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

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

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

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

•m. Tax assets and liabilities

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

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

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

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

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

•n. Tangible assets

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

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

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

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

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

Depreciation of tangible assets	Estimated years of useful life
Buildings	
Buildings for own use	33
Installations and machinery	10
Furniture and fixtures	5
Electronic equipment	3 - 5
Other	5

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

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

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

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

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

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

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

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

the amount of any revaluation previously recognised for each asset. Any excess is recognised in profit or loss.

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

Disposals

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

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

o. Intangible assets

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

Goodwill

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

In business combinations goodwill arises as the positive difference between:

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

Goodwill is recognised under Intangible assets - Goodwill.

Under no circumstances is goodwill amortised.

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

Other intangible assets

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

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

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

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

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

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

Disposals

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

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

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

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

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

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

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

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

At 31 December 2018 the fair value of these assets has been determined using appraisals.

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

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

q. Leases

Finance leases

Finance leases are considered to be those in which substantially all the risks and rewards incidental to ownership of the asset subject to the lease are transferred to the lessee.

In transactions where the Andbank Group acts as lessor of the asset, the lease is recognised as financing under Loans and receivables in the consolidated statement of financial position for the amount resulting from the aggregate present values of cash flows receivable from the lessee. These cash flows include the price of exercising the purchase option in favour of the lessee when the contract expires, in those cases where the price

is sufficiently lower than the fair value of the asset upon expiry date of the option, in such a way that it is reasonable certain that the option will be exercised.

When the Andbank Group acts as the lessee, the cost of the leased assets is recognised in the corresponding line items of the consolidated statement of financial position according to the nature of the asset and, simultaneously, a liability is recognised for the same amount, which will be the lower of the fair value of the leased assets or aggregate present values of the amounts payable to the lessee plus, where applicable the price of exercising the option.

These assets are amortised using the same criteria used for the remaining assets for own use.

Both finance income when the Andbank Group acts as lessor and finance costs when it acts as lessee are recognised in the consolidated income statement under Interest and similar income or Interest and similar charges, respectively.

Operating leases

Operating leases are considered to be those in which substantially all the risks and rewards incidental to the underlying asset and ownership remain with the lessor.

In transactions where the Andbank Group acts as lessor, the acquisition cost of the leased assets is recognised under Tangible assets in the consolidated statement of financial position. The assets are depreciated using the same criteria used for other tangible assets for own use and income corresponding to these contracts is recognised under Other operating income in the consolidated income statement.

The Andbank Group recognises operating lease income, net of incentives granted, as income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits deriving from the leased asset are diminished.

When the Andbank Group acts as lessee, the expenses from these contracts are recognised under Administrative expenses - Other general administrative expenses in the consolidated income statement.

Sale and leaseback transactions

Any gain or loss generated on asset sale and leaseback transactions is recognised immediately in the consolidated income statement. If the asset is sold at a price lower than its fair value, the gain or loss shall also be immediately recognised in the consolidated income statement, except if the loss is compensated by future lease instalments below market value, which in this case shall be deferred and charged in proportion to the instalments paid during the period over which it is expected to use the asset. On the contrary, if the sale price is higher than the fair value, the excess shall be deferred and charged to the consolidated income statement over the period during which it is expected to use the asset.

In sale and leaseback transactions, the Andbank Group has established a procedure to carry out a prospective follow up of

the transaction, paying special attention to the market performance of office rental prices in comparison to rents stipulated by contract payable by the Andbank Group and the situation of sold assets.

The review is carried out annually, unless exceptional circumstances in the office rental market make a higher frequency advisable. The Andbank Group plans to make the necessary provisions if, as a result of the aforementioned review, any permanent and significant situation requiring provision arises.

In addition, at inception, it is evaluated whether the lease agreement includes an embedded derivative financial instrument which requires separation.

r. Contingent assets

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

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

s. Provisions

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

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

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

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

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

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

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

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

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

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

■t. Insurance transactions

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

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

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

For this purpose, the following is determined:

- (i) The difference between the carrying amount of its insurance contracts, less deferred acquisition costs or any intangible assets related to the insurance contracts subject

to evaluation and the present value of cash flows deriving from insurance contracts and related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees.

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

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

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

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

- Provision for unearned premiums and unexpired risks

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

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

- Provision for life insurance

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

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

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

- Claims provision

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

- Provisions for bonuses and rebates

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

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

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

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

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

•u. Treasury shares

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

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

4. Distribution of Profit

The directors of Andorra Banc Agrícola Reig, SA will propose to the shareholders at their annual general meeting that the profit for 2018 be distributed as follows:

Thousands of Euros	
2018	
Legal reserve	-
Voluntary reserves	16,654
Interim dividend	-
Dividends	-
	16,654

Distribution of profit for the year ended 31 December 2017, approved by the shareholders at their annual general meeting on 26 April 2018, was as follows:

Thousands of Euros	
2017	
Legal reserve	-
Voluntary reserves	35,498
Interim dividend	-
Dividends	-
	35,498

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

Details of cash, cash balances with central banks and other demand deposits at 31 December 2018 and 2017 are as follows:

Thousands of Euros		
	31/12/18	31/12/17
Cash	19,556	30,119
Cash balances with central banks	823,096	929,261
Other demand deposits	590,741	487,524
	1,433,393	1,447,004

6. Financial assets and financial liabilities held for trading

Details of these line items of the consolidated statement of financial position at 31 December 2018 and 2017 are as follows:

Thousands of Euros		
	31/12/18	31/12/17
Financial assets held for trading		
Derivatives	74,495	80,720
Equity instruments	1,269	9,635
Debt securities	125,562	249,135
Loans and advances	-	-
	201,326	339,490

Thousands of Euros		
	31/12/18	31/12/17
Financial liabilities held for trading		
Derivatives	66,227	58,088
Deposits	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
	66,227	58,088

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

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

a. Financial assets held for trading

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

	Thousands of Euros	
	31/12/18	31/12/17
	Carrying amount	Carrying amount
Derivatives	74,495	80,720
Equity instruments	1,269	9,635
Of which: at cost	-	-
Of which: credit institutions	-	-
Of which: Other financial companies	1,254	6,047
Of which: non-financial companies	15	3,588
Debt securities	125,562	249,135
Central government and central banks	42,442	92,815
Others (CIU, securitisation)	5,188	10,807
Multilateral development banks	3,221	20,992
Companies	4,438	16,520
Banking and financial entities	70,266	104,924
Public sector entities	7	3,077
	201,326	339,490

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

	Thousands of Euros			
	31/12/18		31/12/17	
	Financial assets pledged as collateral for liabilities	Financial assets not pledged as collateral for liabilities	Financial assets pledged as collateral for liabilities	Financial assets not pledged as collateral for liabilities
Financial assets held for trading				
Derivatives	-	74,495	-	80,720
Equity instruments	-	1,269	-	9,635
Debt securities	2,288	123,274	-	249,135
Loans and advances	-	-	-	-
	2,288	199,038	-	339,490

b. Reclassification of financial assets between categories

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

■c. Derivatives

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

A breakdown, by type of risk and type of product or market, of the fair value as well as the related notional values, of financial trading derivatives, recognised in the accompanying statement of financial position, differentiating between contracts in organised and non-organised markets at 31 December 2018 and 31 December 2017, is as follows:

At 31 December 2018	Thousands of Euros		
	Financial assets held for trading	Financial liabilities held for trading	Notional amount
			Total
Interest rate	15,798	7,468	714,543
Of which: economic hedging	15,008	7,094	678,817
OTC options	(113)	-	28,017
OTC other	15,911	7,468	686,526
Options in organised markets	-	-	-
Other in organised markets	-	-	-
Equity risk	43,301	43,221	341,677
Currencies and gold	3,023	2,522	1,096,479
Of which: economic hedging	2,963	2,472	1,074,549
OTC options	-	-	130,435
OTC other	3,023	2,522	966,044
Options in organised markets	-	-	-
Other in organised markets	-	-	-
Credit	12,169	13,003	1,056,440
Of which: economic hedging	12,169	13,003	1,056,440
Hedging swaps for default	12,169	13,003	1,056,440
Credit spread options	-	-	-
Total return swaps	-	-	-
Other	-	-	-
Raw materials	-	-	-
Of which: Economic hedges	-	-	-
Other	204	13	5,973
Of which: Economic hedges	204	13	5,973
DERIVATIVES			
Of which: OTC - Credit institutions	49,912	44,087	2,150,615
Of which: OTC - Other financial companies	21,603	19,456	930,650
Of which: OTC - Other	2,980	2,684	133,847
	74,495	66,227	3,215,112

			Thousands of Euros
At 31 December 2018	Financial assets held for trading	Financial liabilities held for trading	Notional amount
			Total
Interest rate	43,923	36,507	862,872
Of which: economic hedging	41,727	34,682	819,728
OTC options	108	-	83,465
OTC other	43,815	36,507	779,407
Options in organised markets	-	-	-
Other in organised markets	-	-	-
Equity risk	-	-	-
Currencies and gold	4,261	4,254	493,378
Of which: economic hedging	4,176	4,169	483,510
OTC options	-	-	-
OTC other	4,261	4,254	493,378
Options in organised markets	-	-	-
Other in organised markets	-	-	-
Credit	32,536	17,327	1,114,231
Of which: economic hedging	29,282	15,594	1,002,808
Hedging swaps for default	32,536	17,327	1,114,231
Credit spread options	-	-	-
Total return swaps	-	-	-
Other	-	-	-
Raw materials	-	-	-
Of which: Economic hedges	-	-	-
Other	-	-	-
Of which: Economic hedges	-	-	-
DERIVATIVES			
Of which: OTC - Credit institutions	38,255	41,492	1,836,823
Of which: OTC - Other financial companies	19,490	14,853	560,203
Of which: OTC - Other	21,823	1,872	73,456
	80,720	58,088	2,470,481

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

Details of these line items of the statement of financial position at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Equity instruments	6,279	6,436
Debt securities	50,376	-
Loans and advances	-	-
	56,655	6,436

At 31 December 2017, financial assets classified as debt securities in the available-for-sale financial assets portfolio amounted to Euros 6,436 thousand which, due to the entry into force of IFRS 9, have been classified in 2018 under non-trading financial assets mandatorily at fair value through profit or loss for an amount of Euros 6,279 thousand at 31 December 2018.

This line item is included for the first time due to the entry into force of IFRS 9 Financial Instruments replacing IAS 39 Financial Instruments: Recognition and Measurement, which includes amendments to the requirements for classifying and measuring financial assets and financial liabilities, impairment of financial assets and hedge accounting (see note 3.b). No balances had been previously presented.

8. Financial assets designated at fair value through profit or loss

At 31 December 2018 and 2017 the Bank does not present any balance classified as financial assets or financial liabilities designated at fair value through profit or loss.

9. Financial assets designated at fair value through comprehensive income

Details of this line item of the accompanying statements of financial position at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Equity instruments	20,838	21,107
Debt securities	397,864	202,925
Loans and advances	-	-
	418,702	224,032

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

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

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

Details of assets which are not impaired, impaired assets and the cumulative impairment of assets classified as financial assets designated at fair value through other comprehensive income, by type of issuer, at 31 December 2018 and 31 December 2017 are as follows:

				Thousands of Euros	
At 31 December 2018	Unimpaired assets	Impaired assets	Carrying amount	Accumulated impairment	
Equity instruments					
Others (CIU, securitisation)	16,317	-	16,317	-	
Companies	4,521	-	4,521	-	
Banking and financial entities	-	-	-	-	
	20,838	-	20,838	-	
Debt securities					
Central government and central banks	202,403	-	202,403	-	
Others (CIU, securitisation)	34,205	-	34,205	-	
Multilateral development banks	-	-	-	-	
Companies	60,104	-	60,104	-	
Banking and financial entities	41,536	-	41,536	-	
Public sector entities	59,616	-	59,616	-	
	397,864	-	397,864	-	

				Thousands of Euros	
At 31 December 2017	Unimpaired assets	Impaired assets	Carrying amount	Accumulated impairment	
Equity instruments					
Others (CIU, securitisation)	3,952	-	3,952	-	
Companies	5,801	-	5,801	-	
Banking and financial entities	11,354	-	11,354	-	
	21,107	-	21,107	-	
Debt securities					
Central government and central banks	115,715	-	115,715	-	
Multilateral development banks	-	-	-	-	
Others (CIU, securitisation)	239	-	239	-	
Companies	46,010	-	46,010	-	
Banking and financial entities	40,961	-	40,961	-	
	202,925	-	202,925	-	

10. Financial assets at amortised cost

Details of this caption of the accompanying statement of financial position, taking into consideration the balancing entry for the financial instrument from which they originate, at 31 December 2018 and 2017 are as follows:

Thousands of Euros						
	Unimpaired assets (gross carrying amount)	Impaired assets (gross carrying amount)	Specific valuation adjustments for financial assets, estimated individually	Specific valuation adjustments for financial assets, estimated collectively	Valuation adjustments due to uncorrected but unreported losses	Carrying amount
31 December 2018						
Debt securities	181,391	-	-	-	-	181,391
Central government and central banks	112,091	-	-	-	-	112,091
Regional government and local authorities	-	-	-	-	-	-
Others (CIU, securitisation)	38,390	-	-	-	-	38,390
Companies	833	-	-	-	-	833
Banking and financial entities	30,077	-	-	-	-	30,077
Public sector entities	-	-	-	-	-	-
Loans and advances	1,702,904	53,847	(40,437)	(14,758)	(2,222)	1,699,334
Public entities	43,638	-	-	-	(218)	43,420
Credit institutions	241,816	-	-	-	(1)	241,815
Other financial companies	50,789	184	-	(54)	(14)	50,905
Non-financial companies	654,905	29,706	(29,139)	(3,220)	(940)	651,312
Home	711,756	23,957	(11,298)	(11,484)	(1,049)	711,882

Thousands of Euros						
	Unimpaired assets (gross carrying amount)	Impaired assets (gross carrying amount)	Specific valuation adjustments for financial assets, estimated individually	Specific valuation adjustments for financial assets, estimated collectively	Valuation adjustments due to uncorrected but unreported losses	Carrying amount
31 December 2017						
Debt securities	291,569	-	-	-	-	291,569
Central government and central banks	150,619	-	-	-	-	150,619
Regional government and local authorities	9,912	-	-	-	-	9,912
Others (CIU, securitisation)	98,873	-	-	-	-	98,873
Companies	1,993	-	-	-	-	1,993
Banking and financial entities	30,172	-	-	-	-	30,172
Public sector entities	-	-	-	-	-	-
Loans and advances	1,675,639	48,349	25,954	22,435	10,998	1,664,601
Public entities	53,410	-	-	-	153	53,257
Credit institutions	213,888	-	-	-	28	213,860
Other financial companies	40,942	-	-	-	-	40,942
Non-financial companies	611,758	16,483	18,447	4,581	4,954	600,259
Home	755,641	31,866	7,507	17,854	5,863	756,283

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

■a. Details of loans and receivables by sector of activity and type of product

Details of the subheadings comprising loans and receivables, by sector of activity and type of product, at 31 December 2018 and 2017 are as follows:

Thousands of Euros							
31 December 2018	Carrying amount						
	Carrying amount	Central banks	Public entities	Credit institutions	Other financial companies	Other non-financial companies	Home
Loans and advances	1,699,334	-	43,420	241,815	50,905	651,312	711,882
Current account	12,668	-	227	-	13	4,223	8,205
Credit cards	5,135	-	-	-	76	771	4,288
Customer portfolio	244,142	-	-	241,815	1	2,255	71
Finance leases	-	-	-	-	-	-	-
Reverse repurchase loans	-	-	-	-	-	-	-
Other term loans	1,437,389	-	43,193	-	50,815	644,063	699,318
Advances other than loans	-	-	-	-	-	-	-

Thousands of Euros							
31 December 2017	Carrying amount						
	Carrying amount	Central banks	Public entities	Credit institutions	Other financial companies	Other non-financial companies	Home
Loans and advances	1,664,601	-	53,257	213,860	40,942	600,259	756,283
Current account	6,761	-	-	-	369	443	5,949
Credit cards	6,411	-	-	-	363	970	5,078
Customer portfolio	216,001	-	-	213,860	85	2,032	24
Finance leases	-	-	-	-	-	-	-
Reverse repurchase loans	-	-	-	-	-	-	-
Other term loans	1,435,428	-	53,257	-	40,125	596,814	745,232
Advances other than loans	-	-	-	-	-	-	-

b. Valuation adjustments of loans and receivables

Details of loans and advances at 31 December 2018 and 2017, by activity, the value of which has and has not been impaired, and the corresponding valuation adjustments, are as follows:

Thousands of Euros						
At 31 December 2018	Unimpaired assets	Impaired assets	Specific valuation adjustments for financial assets, estimated individually	Specific valuation adjustments for financial assets, estimated collectively	Valuation adjustments due to uncorrected but unreported losses	Carrying amount
Loans and receivables						
Loans and advances						
Public entities	43,638	-	-	-	(218)	43,420
Credit institutions	241,816	-	-	-	(1)	241,815
Other financial companies	50,789	184	-	(54)	(14)	50,905
Non-financial companies	654,905	29,706	(29,139)	(3,220)	(940)	651,312
Home	711,756	23,957	(11,298)	(11,484)	(1,049)	711,882
	1,702,904	53,847	(40,437)	(14,758)	(2,222)	1,699,334

Thousands of Euros						
At 31 December 2017	Unimpaired assets	Impaired assets	Specific valuation adjustments for financial assets, estimated individually	Specific valuation adjustments for financial assets, estimated collectively	Valuation adjustments due to uncorrected but unreported losses	Carrying amount
Loans and receivables						
Loans and advances						
Public entities	53,410	-	-	-	(153)	53,257
Credit institutions	213,888	-	-	-	(28)	213,860
Other financial companies	40,942	-	-	-	-	40,942
Non-financial companies	611,758	16,483	(18,447)	(4,581)	(4,954)	600,259
Home	755,641	31,866	(7,507)	(17,854)	(5,863)	756,283
	1,675,639	48,349	(25,954)	(22,435)	(10,998)	1,664,601

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

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

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

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

-c. Details of loans and advances based on collateral securities and personal securities

Details of loans and advances based on collateral securities and the maximum credit risk covered by each of these guarantees, at 31 December 2018 and 2017, are as follows:

Thousands of Euros						
At 31 December 2018	Mortgage loans (loans secured by real estate)			Other loans with collateral security		
	Residential property	Retail property	Other	Cash (debt securities issued)	Other	Total
	Loans and advances					
Of which: Other financial companies	850	-	-	6,647	37,460	44,957
Of which: Non-financial companies	167,614	185,093	-	63,689	93,058	509,454
Of which: Home	298,844	38,446	-	62,355	117,923	517,568
	467,308	223,539	-	132,691	248,441	1,071,979

Thousands of Euros						
At 31 December 2017	Mortgage loans (loans secured by real estate)			Other loans with collateral security		
	Residential property	Retail property	Other	Cash (debt securities issued)	Other	Total
	Loans and advances					
Of which: Other financial companies	-	-	-	2,583	37,398	39,981
Of which: Non-financial companies	74,472	145,668	73,045	71,182	161,905	526,272
Of which: Home	279,058	33,467	23,177	99,383	277,172	712,257
	353,530	179,135	96,222	173,148	476,475	1,278,510

-d. Details of loans and advances by activity

Details of net loans and advances to customers by activity at 31 December 2018 and 31 December 2017 are as follows:

Thousands of Euros								
31 December 2018	Total 31 December 2018	Of which: Real estate guarantees	Of which: other collateral security	Loans with collateral security Carrying amount on most recent appraisal available (loan to value)				
				Lower or equal to 40%	Higher than 40% and lower or equal to 60%	Higher than 60% and lower or equal to 80%	Higher than 80% and lower or equal to 100%	Higher than 100%
Public entities	43,420	-	-	-	-	-	-	-
Credit institutions	241,815	-	-	-	-	-	-	-
Other financial companies	50,905	295	11,166	-	-	-	-	11,461
Non-financial companies	651,312	275,095	239,525	14,167	719	-	3,046	496,688
Home	711,882	320,002	417,706	72,470	24,520	28,835	37,661	574,221
Subtotal	1,699,334	595,392	668,397	86,637	25,239	28,835	40,707	1,082,370

Thousands of Euros								
31 December 2017	Total 31 December 2017	Of which: Real estate guarantees	Of which: other collateral security	Loans with collateral security Carrying amount on most recent appraisal available (loan to value)				
				Lower or equal to 40%	Higher than 40% and lower or equal to 60%	Higher than 60% and lower or equal to 80%	Higher than 80% and lower or equal to 100%	Higher than 100%
Public entities	53,257	-	-	-	-	-	-	-
Credit institutions	213,860	-	-	-	-	-	-	-
Other financial companies	40,942	39,981	-	-	-	-	-	39,981
Non-financial companies	600,259	273,786	260,528	4,605	3,600	4,193	12,518	508,398
Home	756,283	414,964	313,995	3,887	9,044	25,028	13,768	677,232
Subtotal	1,664,601	728,731	574,523	8,492	12,644	29,221	26,286	1,225,611

At 31 December 2018 assets classified as doubtful amount to Euros 53,847 thousand (Euros 48,350 thousand at 31 December 2017). These amounts do not include guarantees given which amount to Euros 101,195 thousand at 31 December 2018 (Euros 54,052 thousand at 31 December 2017).

11. Derivatives - Hedge accounting and changes in fair value

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

Thousands of Euros		
Derivatives - Hedge accounting and changes in fair value	31/12/18	31/12/17
ASSETS		
Derivatives - Hedge accounting	-	90
Changes in fair value of hedged items of a portfolio with an interest rate risk hedge	3,809	3,863
LIABILITIES		
Derivatives - Hedge accounting	7,322	3,089
Changes in fair value of hedged items of a portfolio with an interest rate risk hedge	-	-

At 31 December 2018 and 2017 the Bank's main hedged positions and the derivatives designated to hedge those positions correspond to hedges of fixed interest rate loans, using interest rate derivatives and cash flow hedges of future commitments.

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

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

Details of the carrying amount of hedging instruments, as well as the nominal amounts of hedging financial derivatives in the accompanying consolidated statement of financial position at 31 December 2018 and 2017, distinguishing between risk category for each kind of hedge, are as follows:

Thousands of Euros				
31 December 2018	Carrying amount		Notional amount	
	Assets	Liabilities	Total hedges	Of which: sold
FAIR VALUE HEDGES	-	-	-	-
Interest rate	-	3,041	5,603	-
OTC options	-	-	-	-
OTC other	-	3,041	5,603	-
Options in organised markets	-	-	-	-
Other in organised markets	-	-	-	-
CASH FLOW HEDGES	-	4,281	189,382	-
TOTAL DERIVATIVES - HEDGE ACCOUNTING	-	7,322	194,985	-
Of which: OTC - Credit institutions	-	7,322	194,985	-
Of which: OTC - Other financial companies	-	-	-	-
Of which: OTC - Other	-	-	-	-

Thousands of Euros				
31 December 2017	Carrying amount		Notional amount	
	Assets	Liabilities	Total hedges	Of which: sold
FAIR VALUE HEDGES	-	-	-	-
Interest rate	90	3,089	5,603	-
OTC options	-	-	-	-
OTC other	90	3,089	5,603	-
Options in organised markets	-	-	-	-
Other in organised markets	-	-	-	-

12. Investments in subsidiaries, joint ventures and associates

Details, by company, of Investments in subsidiaries, joint ventures and associates at 31 December 2018 and 2017 in the accompanying consolidated statements of financial position are as follows:

Thousands of Euros				
2018	Investment	Impairment	Cost	Total
Medipatrimonia Invest, SL	51.00%	-	2,000	2,000
Sigma M. Partners, LTD	49.78%	-	978	978
		-	2,978	2,978

Thousands of Euros				
2017	Investment	Impairment	Cost	Total
Medipatrimonia Invest, SL	51.00%	-	2,000	2,000
		-	2,000	2,000

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

13. Tangible assets

A breakdown of items included in Tangible assets during 2018 and 2017 is as follows:

Thousands of Euros		
	31/12/18	31/12/17
Tangible assets		
Property, plant and equipment	24,719	21,879
For own use	24,719	21,879
Leased out under operating lease	-	-
Earmarked for social projects (savings bank and credit cooperatives)	-	-
Investment property	6,270	12,403
Of which: Leased out under finance lease	-	-
	30,989	34,282

•a. Movement in tangible assets

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

At 31 December 2018			
	31/12/17	Additions	Disposals
Cost			
FOR OPERATING ACTIVITIES			
Land	3,099	-	(1,853)
Buildings	6,843	24	(216)
Furniture	10,032	118	(178)
Installations	23,880	49	(467)
IT equipment	27,518	1,362	(23)
Vehicles	1,604	506	(109)
Under construction	1,825	62	-
Subtotal	74,801	2,121	(2,846)
FOR NON-OPERATING ACTIVITIES			
Land	-	-	-
Buildings	1,966	-	(365)
Installations	976	-	(146)
IT equipment	104	-	-
Furniture	41	-	(5)
Vehicles	458	-	-
Investment property	12,416	1,064	(8,606)
Subtotal	15,961	1,064	(9,122)
Accumulated depreciation			
FOR OPERATING ACTIVITIES			
Buildings	(5,398)	(232)	608
Furniture	(7,919)	(294)	3
Installations	(14,901)	(757)	283
IT equipment	(24,876)	(1,627)	77
Vehicles	(1,111)	(274)	101
Subtotal	(54,205)	(3,184)	1,072
FOR NON-OPERATING ACTIVITIES			
Buildings	(977)	(56)	282
Installations	(895)	(5)	-
IT equipment	(96)	(4)	-
Furniture	(38)	-	5
Operating leases	(256)	(4)	-
Investment property	(13)	(312)	340
Subtotal	(2,275)	(381)	627
Net balance	34,282	(380)	(10,269)

					Thousands of Euros
	Transfers to/from non-current assets for sale	Other transfers	Exchange gains / losses	Other movements	31/12/18
	-	-	-	-	1,246
	-	-	-	6,832	13,483
	-	-	-	-	9,972
	-	-	-	1,794	25,256
	-	30	-	-	28,887
	-	-	-	-	2,001
	-	(30)	-	-	1,857
	-	-	-	8,626	82,702
	-	-	-	-	-
	-	-	-	-	1,601
	-	-	-	-	830
	-	-	-	-	104
	-	-	-	-	36
	-	-	-	-	458
	1,721	-	-	-	6,595
	1,721	-	-	-	9,624
	-	-	-	(1,146)	(6,168)
	-	-	-	-	(8,210)
	-	-	-	(1,505)	(16,880)
	-	-	-	-	(26,426)
	-	-	-	-	(1,284)
	-	-	-	(2,651)	(58,968)
	-	-	-	-	(751)
	-	-	-	-	(900)
	-	-	-	-	(100)
	-	-	-	-	(33)
	-	-	-	-	(260)
	(340)	-	-	-	(325)
	(340)	-	-	-	(2,369)
	1,381	-	-	5,975	30,989

At 31 December 2017

	31/12/16	Additions	Disposals
Cost			
FOR OPERATING ACTIVITIES			
Land	3,099	-	-
Buildings	6,843	-	-
Furniture	9,190	852	(10)
Installations	24,881	151	-
IT equipment	29,011	654	(1,383)
Vehicles	1,309	296	(1)
Under construction	1,417	32	(313)
Subtotal	75,750	1,985	(1,707)
FOR NON-OPERATING ACTIVITIES			
Land	-	-	-
Buildings	1,966	-	-
Installations	976	-	-
IT equipment	104	-	-
Furniture	41	-	-
Vehicles	458	-	-
Investment property	-	852	-
Subtotal	3,545	852	-
Accumulated depreciation			
FOR OPERATING ACTIVITIES			
Buildings	(5,123)	(275)	-
Furniture	(7,708)	(211)	-
Installations	(15,272)	(781)	-
IT equipment	(23,218)	(2,445)	688
Vehicles	(883)	(228)	-
Subtotal	(52,204)	(3,940)	688
FOR NON-OPERATING ACTIVITIES			
Buildings	(917)	(60)	-
Installations	(891)	(4)	-
IT equipment	(93)	(3)	-
Furniture	(37)	(1)	-
Operating leases	(254)	(2)	-
Investment property	-	(13)	-
Subtotal	(2,192)	(83)	-
Net balance	24,899	(1,186)	(1,019)

During 2018 and 2017 no interest or exchange differences corresponding to fixed assets have been capitalised. At 31 December 2018 all these items remain under ownership by the Bank and are used for its activity.

Thousands of Euros

Transfers to/from non-current assets for sale	Other transfers	Exchange gains / losses	Other movements	31/12/17
-	-	-	-	3,099
-	-	-	-	6,843
-	-	-	-	10,032
-	-	-	(1,152)	23,880
-	(788)	24	-	27,518
-	-	-	-	1,604
-	689	-	-	1,825
-	(99)	24	(1,152)	74,801
-	-	-	-	-
-	-	-	-	1,966
-	-	-	-	976
-	-	-	-	104
-	-	-	-	41
-	-	-	-	458
11,564	-	-	-	12,416
11,564	-	-	-	15,961
-	-	-	-	(5,398)
-	-	-	-	(7,919)
-	-	-	1,152	(14,901)
-	99	-	-	(24,876)
-	-	-	-	(1,111)
-	99	-	1,152	(54,205)
-	-	-	-	(977)
-	-	-	-	(895)
-	-	-	-	(96)
-	-	-	-	(38)
-	-	-	-	(256)
-	-	-	-	(13)
-	-	-	-	(2,275)
11,564	-	24	-	34,282

-b. Revalued assets

With express authorisation granted by the AFA on 9 December 2008, the Bank revalued the carrying amount of the buildings housing its headquarters and network of branches with effective date 30 November 2008. Every two years, through an appraisal conducted by an independent expert, the aforementioned assets are tested to determine whether their market value is higher than their carrying amount, the appropriate provisions being recognised where this is not the case. At 31 December 2018 the Bank did not revalue the carrying amount of buildings used in operations.

-c. Sale and leaseback contracts

On 29 July 2015, Andorra Banc Agrícola Reig, S.A. ("Andbank") signed a sale and purchase agreement and subsequent operating leaseback for a period of 20 years, extendible tacitly for five-year periods, for the building in which the Andbank Group's headquarters are located. On 24 September 2015 a deed was drawn up declaring compliance with the conditions precedent on this transaction. The transaction price was Euros 80 million and Andbank obtained a gain of Euros 3.4 million on the carrying amount at the date of the sale. Once the building had been derecognised in the consolidated statement of financial position, revaluation reserves were reclassified as voluntary reserves, for the purpose of calculating solvency under Basel III, net of the tax impact, which formed part of the carrying amount of the assets sold, for an amount of Euros 53.3 million.

In relation to this operating lease contract:

- During 2018 and 2017 lease expenses amount to Euros 4,121 thousand and Euros 4,060 thousand, respectively, recognised as External services under Overheads.
- At 31 December 2018 and 2017 the present value of future payments incurred by the Bank during the contract's obligatory term (regardless of tacit renewals) amounts to Euros 3,946 thousand and Euros 3,888 thousand, respectively, in the period of one year, Euros 15,474 thousand and Euros 13,969 thousand, respectively, between one and five years and Euros 38,676 thousand and Euros 40,839 thousand, respectively, in more than five years.

-d. Investment property

Tangible assets include an amount of Euros 6,270 thousand which reflect the Bank's investment property. The Bank does not receive any significant revenues from rents, nor does it incur any direct expenses arising from investment property. In addition, there are no contractual purchase, construction or development obligations on the investment property held at 31 December 2018.

14. Intangible assets

-a. Goodwill

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

	Thousands of Euros				
	31/12/17	Additions	Exchange gains / losses	Other adjustments	31/12/18
Cost	157,303	6,620	-	6	163,929
Accumulated impairment	-	-	-	-	-
	157,303	6,620	-	6	163,929

	Thousands of Euros				
	31/12/16	Additions	Exchange gains / losses	Other adjustments	31/12/17
Cost	152,918	4,735	-	(350)	157,303
Accumulated impairment	-	-	-	-	-
	152,918	4,735	-	(350)	157,303

The acquisition of Quest Capital Advisers, S.A. on 17 December 2009 generated goodwill of Euros 13,556 thousand, of which Euros 7,482 thousand was capitalised in 2010 to recognise deferred payments relating to the acquisition. As a result of subsequent adjustments on the basis of real payments of deferred commitments, goodwill totals Euros 13,588 thousand at 31 December 2018.

The acquisition of Columbus de México, S.A. on 11 April 2008 generated goodwill on consolidation of Euros 3,572 thousand. Subsequently, payment of the success premium of US Dollars 3,111 thousand is made, with goodwill totalling Euros 7,043 thousand at 31 December 2018.

Likewise, the acquisition of Andbank Mônaco, SAM on 30 June 2011 generated goodwill on consolidation of Euros 11,347 thousand.

On 25 October 2011 the acquisition of Andbank Participações, Ltda (formerly LLA Participações Ltda) generated goodwill on consolidation of Euros 10,482 thousand. In 2015 an additional interest of 26.31% was purchased and in 2017 an additional interest of 22.06% was purchased in the aforementioned company, raising goodwill to Euros 20,412 thousand.

The acquisition on 15 April 2014 of Andbank Wealth Management SGIC, SAU by Andbank España, S.A. generated goodwill on consolidation of Euros 1,290 thousand.

The acquisition of Banco Inversis, S.A.'s retail business branch of activity by Andbank España, S.A. and the acquisition of Swiss Asset Advisors portfolio by Andbank Advisory LLC has generated goodwill on consolidation of Euros 89,841 thousand and Euros 1,676 thousand, respectively.

During 2015, the acquisition of Banco Andbank (Brasil), S.A. generated goodwill of Euros 5,969 thousand. The acquisition of LLA DTVM by Andbank (Brasil) Holding Financeira Ltda generated goodwill of Euros 189 thousand.

During 2015, the acquisition of Sigma Investment House Ltd generated goodwill of Euros 3,584 thousand. Furthermore, as agreed as part of the acquisition of this company, payments were made in 2016 and 2017 in line with its growth policy which have given rise to goodwill of Euros 2,370 thousand.

During 2018, the acquisition of Merchban, S.A. by Andbank España, S.A. generated goodwill on consolidation of Euros 6,620 thousand.

•b. Impairment testing

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

- The recoverable amount of a CGU is determined based on a calculation of its value in use. These calculations, which are annual, use cash flow projections based on financial budgets approved by management which cover a period of between four and eight years depending on the CGU, in which:
 - The annual growth rate of managed assets is adjusted to the growth observed in each business unit in recent years and to the growth expectations according to the future plans, together with an improvement in market expectations.
 - The annual growth rate of the gross margin arises from the average growth of assets under management for the period, as well as their return. The return is adapted to each business unit based on the growth observed in recent years, as well as market expectations, which are more conservative in the Euro zone due to the European monetary framework and the high level of competition in the sector.

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

- Lastly, the currency risk to which Quest -Uruguay- (EUR/UYU and EUR/USD), Columbus -Mexico- (EUR/MXN), Andbank Wealth Management -Miami USA- (EUR/USD), Sigma Investment House -Israel- (EUR/ILS) and Andbank Brasil (EUR/BRL) have been exposed has been determined based on the constant exchange rate for 2018.

Cash flows beyond that period are extrapolated using the growth rate (g) set at between 2.00% and 2.50% for all the companies of the Andbank Group in Europe and between 3.00% and 3.50% for all non-European Andbank Group companies.

The discount rate (Ke) has been calculated based on the risk-free rate, taking as a benchmark the "good" at ten years of each country. Beta has been calculated based on the average beta of a sample of quoted entities from the sector (universal banks of each country, global private banks and portfolio and/or global investment fund managers). Lastly, the risk premium used is that included in the KPMG research document "Equity Market Risk Premium - Research Summary" dated July 2018. This discount rate ranges between 7.28% and 13.03% for 2018, depending on the CGU.

-c. Other intangible assets

A breakdown and movement of items included in Intangible assets during 2018 and 2017 is as follows:

								Thousands of Euros
At 31 December 2018	31/12/17	Additions	Internally-generated additions	Disposals	Other transfers	Exchange gains/losses	Other movements	31/12/18
Cost								
IT software and applications	66,996	2,473	-	(500)	4,807	-	1,490	75,266
Multi-owned assets	834	-	-	-	-	-	-	834
Intangible assets in progress	-	-	-	-	-	-	-	-
Other	78,285	21,560	-	-	(4,807)	-	-	95,038
	146,115	24,033	-	(500)	-		1,490	171,138
Accumulated amortisation								
IT software and applications	(41,009)	(3,924)	-	158	-	-	(1,490)	(46,265)
Multi-owned assets	(672)	(4)	-	-	-	-	(7)	(683)
Intangible assets in progress	-	-	-	-	-	-	-	-
Other	(15,928)	(2,468)	-	211	-	-	(91)	(18,276)
	(57,609)	(6,396)	-	369			(1,588)	(65,224)
Accumulated impairment	(1,597)	(75)	-	-			-	(1,672)
Net balance	86,909	17,562	-	(131)			(98)	104,242

								Thousands of Euros
At 31 December 2017	31/12/16	Additions	Internally-generated additions	Disposals	Other transfers	Exchange gains/losses	Other movements	31/12/17
Cost								
IT software and applications	54,910	3,730	-	(509)	8,865	-	-	66,996
Multi-owned assets	830	-	-	-	4	-	-	834
Intangible assets in progress	-	-	-	-	-	-	-	-
Other	64,404	25,610	-	(2,860)	(8,869)	-	-	78,285
	120,144	29,340	-	(3,369)	-			146,115
Accumulated amortisation								
IT software and applications	(36,537)	(4,414)	-	(58)	-	-	-	(41,009)
Multi-owned assets	(661)	(11)	-	-	-	-	-	(672)
Intangible assets in progress	-	-	-	-	-	-	-	-
Other	(11,501)	(4,992)	-	565	-	-	-	(15,928)
	(48,699)	(9,417)	-	507			-	(57,609)
Accumulated impairment	(1,597)	-	-	-	-	-	-	(1,597)
Net balance	69,848	19,923	-	(2,862)	-	-	-	86,909

Others under Intangible assets include IT software under construction amounting to Euros 34,669 thousand, as part of the Bank's technological transformation project (Newton Project) which will start to be amortised when the development work has been completed and the software is in use.

At 31 December 2018 all these items remain under ownership by the Bank and are used for its activity.

15. Tax assets and liabilities

Details of tax assets and liabilities at 31 December 2018 and 31 December 2017 are as follows:

Thousands of Euros		
	31/12/18	31/12/17
Tax assets		
Current tax assets	5,575	8,002
Deferred tax assets	26,189	24,356
- Tax credits	22,255	13,226
- IFRS transition	-	11,130
- IFRS 9 transition	3,934	-
	31,764	32,358

Thousands of Euros		
	31/12/18	31/12/17
Tax liabilities		
Current tax liabilities	7,651	15,097
Deferred tax liabilities	10,834	9,930
- Tax liabilities	10,834	9,930
	18,485	25,027

16. Other assets and liabilities

A breakdown of the asset and liability captions of the consolidated statement of financial position at 31 December 2018 and 31 December 2017 is as follows:

Thousands of Euros		
	31/12/18	31/12/17
Other assets		
Inventories	14	14
Other assets	74,302	68,290
Prepayments and accrued income	27,742	24,230
Operations in progress	6,010	6,550
Other items	40,550	37,510
	74,316	68,304

Thousands of Euros		
	31/12/18	31/12/17
Other liabilities		
Other liabilities	82,155	80,430
Accrued expenses and deferred income	8,030	12,093
Operations in progress	4,963	11,830
Other items	69,162	56,507
	82,155	80,430

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

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

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

Thousands of Euros							
	31/12/2017	Additions	Disposals	Transfers to investment property	Valuation adjustments	Applications	31/12/2018
Cost							
Property, plant and equipment	105,510	-	-	-	-	-	-
From foreclosures	-	1,580	(21,582)	(1,721)	-	(24,576)	59,211
Other	651,312	-	-	-	-	-	-
	105,510	1,580	(21,582)	(1,721)	-	(24,576)	59,211
Impairment losses							
Property, plant and equipment	-	-	-	-	-	-	-
From foreclosures	(56,217)	(15)	8,669	340	(1,424)	24,576	(24,071)
Other	(2,328)	(46)	529	-	-	-	(1,845)
	(58,545)	(61)	9,198	340	(1,424)	24,576	(25,916)
Net balance	46,965	1,519	(12,384)	(1,381)	(1,424)	-	33,295

Thousands of Euros							
	31/12/2016	Additions	Disposals	Transfers to investment property	Valuation adjustments	Applications	31/12/2017
Cost							
Property, plant and equipment	-	-	-	-	-	-	-
From foreclosures	96,151	17,917	(8,558)	-	-	-	105,510
Other	-	-	-	-	-	-	-
	96,151	17,917	(8,558)	-	-	-	105,510
Impairment losses							
Property, plant and equipment	-	-	-	-	-	-	-
From foreclosures	(50,688)	(5,529)	-	-	-	-	(56,217)
Other	(2,643)	-	517	-	(202)	-	(2,328)
	(53,331)	(5,529)	517	-	(202)	-	(58,545)
Net balance	42,820	12,388	(8,041)	-	(202)	-	46,965

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

Thousands of Euros		
	31/12/18	31/12/17
Land	37,222	42,677
Premises	1,071	2,102
Car parks	1,695	713
Storage rooms	133	52
Housing	30,521	52,186
	70,642	97,730

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

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

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

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

- INTERVALOR
- PERITAND
- PERITAXA
- TECNITASA

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

The appraisal companies mainly use the comparative valuation method.

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

Foreclosures and recoveries

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

	Thousands of Euros	
	31/12/18	31/12/17
Up to 12 months	1,903	18,502
From 1 to 2 years	12,675	9,611
From 2 to 5 years	12,751	16,085
More than 5 years	5,966	2,767
	33,295	46,965

Details, by type of asset, of the profit and loss recognised in 2018 and 2017 due to the sale of non-current assets and disposal groups which have been classified as held for sale are as follows:

	Thousands of Euros			
	31/12/18		31/12/17	
	Profits	Losses	Profits	Losses
Apartments	4,467	(693)	3,238	-
Car parks	4	-	-	-
Adjustments due to depreciation	-	(1,424)	-	(202)
	4,471	(2,117)	3,238	(202)

At 31 December 2018 and 2017 the Andbank Group has no liabilities associated with non-current assets and disposal groups which have been classified as held for sale.

18. Financial liabilities at amortised cost

Details of this line item of the statement of financial position at 31 December 2018 and 31 December 2017 are as follows:

	Thousands of Euros	
Financial liabilities at amortised cost	31/12/18	31/12/17
Deposits	3,241,894	3,245,242
Central banks	59,825	12,166
Credit institutions	538,471	394,053
Other creditors	2,643,598	2,839,023
Debt securities issued	472,618	425,894
Other financial liabilities	13,299	3,123
	3,727,811	3,674,259

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

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

a. Deposits

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

	Thousands of Euros	
	31/12/18	31/12/17
Central banks	59,825	12,166
Current accounts/intraday deposits	47,614	12,166
Term deposits	12,211	-
Unrestricted time deposits	-	-
Repurchase agreements	-	-
Credit institutions	538,471	394,053
Current accounts/intraday deposits	219,527	106,546
Term deposits	318,944	287,507
Unrestricted time deposits	-	-
Repurchase agreements	-	-
Other creditors	2,643,598	2,839,023
Current accounts/intraday deposits	2,168,835	2,175,710
Term deposits	474,763	663,313
Unrestricted time deposits	-	-
Repurchase agreements	-	-
	3,241,894	3,245,242

b. Debt securities

I) DEBT SECURITIES ISSUED BY ANDORRA BANC AGRÍCOL REIG, S.A.

The balance of this line item of the accompanying statement of financial position at 2018 and 2017 includes debt issues amounting to Euros 15,730 and Euros 17,434, respectively, made by the Bank during 2015.

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

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

During the first few months of 2015, these products were issued and commercialised, with the whole amount of the issue being subscribed and accruing interest at an annual rate of 5.5%.

II) DEBT SECURITIES ISSUED BY ANDORRA CAPITAL AGRÍCOL REIG, BV AND AB FINANCIALS PRODUCTS, DAC.

The balance of this line item also includes the issue of securities by Andorra Capital Agricol Reig, B.V. and AB Financial Products, D.A.C., which are shown by maturity dates in 2018 and 2017:

Thousands of Euros					
	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
Debt securities issued in 2013	-	23,889	-	-	23,889
Debt securities issued in 2014	-	-	-	-	-
Debt securities issued in 2015	-	30,000	-	-	30,000
Debt securities issued in 2016	-	18,747	25,000	-	43,747
Debt securities issued in 2017	12,605	172,848	39,083	-	224,536
Debt securities issued in 2018	2,787	131,929	-	-	134,716
	15,392	377,413	64,083	-	456,888

Thousands of Euros					
	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
Debt securities issued in 2013	1,043	18,043	7,114	-	26,200
Debt securities issued in 2014	-	-	-	-	-
Debt securities issued in 2015	-	30,078	-	-	30,078
Debt securities issued in 2016	-	20,117	23,349	-	43,466
Debt securities issued in 2017	-	308,716	-	-	308,716
	1,043	376,954	30,463	-	408,460

Amongst the issues made by Andorra Capital Agricol Reig, B.V during 2017, the issue as part of its covered bonds issue programme should be highlighted. This issue was listed on the Global Exchange Market of the Irish Stock Exchange for an amount of Euros 135 million, maturing in 5 years and with a coupon pegged to Euribor with quarterly payments, which at 31 December 2018 was secured by part of the Andbank Group's mortgage loan portfolio for an amount of Euros 158,898 thousand, and by a sum of Euros 14,744 thousand deposited in a correspondent account.

rc. Other financial liabilities

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

Thousands of Euros		
	31/12/18	31/12/17
Bonds payable	9,299	-
Guarantees received	-	-
Clearing houses	-	2,354
Deposit accounts	-	-
Special accounts	-	-
Financial guarantees	-	-
Other items	4,000	769
	13,299	3,123

19. Provisions

A breakdown of this line item of the statement of financial position at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Pensions and other benefit obligations and other long-term employee benefits	6,701	7,331
Legal issues and litigation for outstanding taxes	1,850	3,283
Commitments and guarantees given	387	1,099
Other provisions	8,541	16,980
	17,479	28,693

Movement by type of provision during 2018 and 2017 was as follows:

	Thousands of Euros				
	Pensions and other benefit obligations and other long-term employee benefits	Legal issues and litigation for outstanding taxes	Commitments and guarantees given	Other provisions	Total
Balance at 1 January 2018	7,331	3,283	1,099	16,980	28,693
Net provisions	2	(64)	(19)	(1,529)	(1,610)
Amounts drawn down	(1,632)	(1,369)	(229)	(893)	(4,123)
Other movements	1,000	-	(464)	(6,017)	(5,481)
Balance at 31 December 2018	6,701	1,850	387	8,541	17,479

	Thousands of Euros				
	Pensions and other benefit obligations and other long-term employee benefits	Legal issues and litigation for outstanding taxes	Commitments and guarantees given	Other provisions	Total
Balance at 1 January 2017	7,081	-	761	86,549	94,391
Net provisions					
Amounts drawn down	522	3,283	51	2,119	5,975
Other movements	(588)	-	-	-	(588)
Balance at 31 December 2017	7,331	3,283	1,099	16,980	28,693

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

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

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

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

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

The actuarial variables and other assumptions used in the valuation at 31 December 2018 for retired personnel and early retirees are as follows:

	Retirees	Early retirees
Mortality tables	PERmf2000	PERmf2000
Nominal discount rate	1.75%	1.75%
Nominal rate of salary growth	-	-
Annual rate of pension growth	-	-
Retirement age	-	65

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

Payments made to retirees and early-retirees (in accordance with Law 17/2008 and related regulations) during 2018 and 2017 have been recognised against goodwill.

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

Current personnel adhering to the plan for other obligations can, upon request, transfer their funds to investment schemes managed by the Bank off the balance sheet. At 31 December 2018 balances managed off the balance sheet amounted to Euros 368 thousand, whilst internal funds recognised under Pensions and other obligations amount to Euros 3,541 thousand (Euros 4,221 thousand at 31 December 2017).

-b. Other provisions

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

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

20. Capital and Reserves

Details of movement in the Andbank Group's capital and reserves in 2018 and 2017 is shown in the statement of changes in equity.

-a. Capital

At 31 December 2018 the Bank's share capital comprises 1,769,343 shares (1,751,825 class A shares, 14,232 class B shares and 3,286 class C shares) at Euros 44.56 par value each, fully subscribed and paid up and represented by book entries. All of the Bank's shares have the same voting and economic rights and there are no different voting rights for any of the shareholders. There are no shares representing capital. Shares are not listed on organised markets.

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

-b. Share premium, accumulated gains, revaluation reserves and other reserves

Details of these line items of the statement of financial position at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Share premium	73,441	73,441
Accumulated gains	411,782	375,208
Legal reserve	15,768	15,768
Guarantee reserves	27,026	25,929
Statutory reserves	-	-
Voluntary reserves	367,061	331,906
Own share reserves	1,927	1,605
Revaluation reserves	645	1,942
	485,868	450,591

- Share premium

At 31 December 2018 the balance of this line item of the statement of financial position amounted to Euros 73,441 thousand (Euros 73,441 thousand at 2017).

- Legal reserve

In accordance with Andorran mercantile law, banks must allocate 10% of the year's profit to the legal reserve until it reaches 20% of the share capital. At 31 December 2018 the legal reserve was fully appropriated.

- Guarantee reserves

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

In compliance with Law 20/2018 of 13 September 2018 regulating Andorran deposit guarantees and the Andorran system for guaranteeing investments, at 31 December 2018 and 2017 Guarantee reserves totalled Euros 27,026 thousand and Euros 25,929 thousand, respectively (see note 42).

- Voluntary reserves

Voluntary reserves include an amount of Euros 78,381 thousand for differences on first-time consolidation that are restricted.

- Revaluation reserves

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

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

- Consolidation reserves

At 31 December 2018 and 2017 consolidation reserves correspond to the following companies:

	Thousands of Euros	
	2018	2017
Andorra Gestió Agrícol Reig, SAU.	653	1,053
Andorra Assegurances Agrícol Reig, SA	467	352
Nobilitas N.V. Group	3,664	4,147
Andbank (Bahamas) Limited	16,904	16,538
Andbank Luxembourg Group	7,302	6,906
Andbank España Group	2,585	(2,893)
Andbank Panamá	7,198	7,505
APW Consultores Financeiros Lda	(772)	(646)
Other	348	4,793
	38,349	37,755

Movement in consolidation reserves in 2018 and 2017 is as follows:

	Thousands of Euros
Balance at 31 December 2016	30,946
Distribution of 2016 profit to reserves	8,859
Other consolidation adjustments	(2,050)
Balance at 31 December 2017	37,755
Distribution of 2017 profit to reserves	3,655
Other consolidation adjustments	(3,061)
Balance at 31 December 2018	38,349

- Other reserves

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

- Equity instruments issued other than capital

At 31 December 2018 and 2017 equity instruments issued other than capital reflect perpetual contingent subordinated obligations issued on 24 December 2014 for an amount of Euros 35,000 thousand.

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

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

During the first few months of 2015, this product was issued and commercialised, with the whole amount of the issue being subscribed and accruing interest at an annual rate of 5.5%.

-c. Profits/losses attributable to the Andbank Group

Details of profits/losses contributed by each of the companies comprising the Andbank Group during 2018 and 2017 are as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Andorra Banc Agrícola Reig, SA	16,654	35,498
Fully consolidated companies:	7,774	7,281
Andorra Banc Agrícola Reig, SA	1,063	1,301
Andbank (Bahamas) Limited	(1,048)	1,964
Nobilitas N.V. Group	91	20
Columbus de México, SA, CV	408	152
And Private Wealth, SA	(401)	20
Quest Capital Advisers	(29)	385
Andbank Wealth Management LLC Group	299	(354)
Consolidation adjustments Nobilitas Group	(186)	(183)
Andbank Luxembourg Group	(2,420)	(4,839)
Andbank Luxembourg, SA	(2,725)	(4,895)
Andbank Asset Management Luxembourg, SA	200	1
Consolidation adjustments Andbank Lux Group	105	55
Andbank España Group	7,904	5,719
Andbank España, SAU	5,284	2,281
Andbank Wealth Management, SGIIC, SAU	1,818	1,798
Medipatrimonia Invest, SL	-	129
APC SSAA	122	22
Andbank correduria de Seguros, SL	114	
Consolidation adjustments Andbank España Group	566	1,489
Andbank (Panamá), SA	106	4,732
APW Consultores Financeiros Ltda.	(11)	(576)
Andbank Monaco, SAM	926	604
Banco Andbank Brasil Ltda.	(64)	(1,087)
Andorra Assegurances Agrícola Reig, SA	121	(668)
Other	1,106	111
Consolidation adjustments	2,650	(3,626)
	27,078	39,153

21. Accumulated other comprehensive income - Equity

Details of accumulated other comprehensive income during 2018 and 2017 by type of instrument are as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Items that will not be classified to profit or loss		
Tangible assets	-	-
Intangible assets	-	-
Actuarial gains or losses on defined benefit pension plans	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-
Changes in fair value of equity instruments measured at fair value through other comprehensive income		
Ineffectiveness of fair value of equity instruments measured at fair value through other comprehensive income		
Changes in fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		
Changes in fair value of equity instruments measured at fair value through other comprehensive income (hedging instruments)		
Changes in fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk		
Items that may be reclassified to profit or loss	(9,167)	(2,011)
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	13	-
Hedging derivatives Cash flow hedges (effective portion)	(4,128)	-
Changes in fair value of debt instruments measured at fair value through other comprehensive income	(5,052)	(2,011)
Hedging instruments (non-designated items)	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-
	(9,167)	(2,011)
Income tax relating to items that may be reclassified to profit or loss	833	201
	(8,334)	(1,810)

The statement of recognised income and expenses for 2018 and 2017, which forms an integral part of the statement of consolidated changes in equity, shows the movements in this line item of the consolidated statement of financial position during these years.

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

22. Off-balance sheet exposures

•a. Loan commitments, financial guarantees and other commitments given and received

A breakdown of the balance of these amounts at 31 December 2018 and 31 December 2017 is as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Loan commitments given	280,155	248,472
Of which: With defaults:	58	4
Central banks	-	-
Public entities	10,815	12,590
Other financial companies	5,080	3,280
Non-financial companies	143,615	92,975
Of which SMEs	10,712	8,055
Home	120,645	139,627
Financial guarantees given	58,713	111,664
Of which: With defaults:	-	-
Central banks	-	-
Public entities	71	71
Other financial companies	12,356	11,528
Non-financial companies	34,714	42,253
Of which SMEs	6,124	7,287
Home	11,572	57,812
Other commitments given	6,567	6,882
Of which: With defaults:	-	-
Central banks	-	-
Public entities	-	-
Other financial companies	-	-
Non-financial companies	-	-
Of which SMEs	-	-
Home	6,567	6,882

	Thousands of Euros			
	31/12/18		31/12/17	
	Maximum amount of guarantee	Nominal amount	Maximum amount of guarantee	Nominal amount
Financial guarantees received	346,746	651,945	206,206	78,308
Central banks	-	-	-	-
Public entities	17,758	16,529	-	-
Financial companies	81	60	2,202	1,627
Other non-financial companies	17,336	18,665	98,314	26,598
Of which SMEs	17,335	18,664	6,711	1,784
Home	311,571	616,691	105,690	50,083

23. Third party transactions

A breakdown of the most significant accounts included in this line item at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Shares and other variable-income securities	2,673,471	2,825,428
Bonds and other fixed-income securities	3,223,356	3,372,806
Units in investment funds not managed by the Group	5,849,546	6,428,878
Units in investment funds managed by the Group	200,657	228,141
Other	6,947	9,331
	11,953,977	12,864,584

Details of assets managed for third parties on or off the balance sheet, whether held in custody or not by the Andbank Group at 31 December 2018 and 2017 are as follows:

	Thousands of Euros					
	2018			2017		
	Held in custody / deposited by the Bank	Held in custody / deposited by third parties	Total	Held in custody / deposited by the Bank	Held in custody / deposited by third parties	Total
Collective investment undertakings	1,203,347	1,055,790	2,259,137	1,886,433	879,014	2,765,447
Individual customer portfolio managed discretionally	3,145,179	6,835,614	9,980,793	1,528,073	6,632,817	8,160,890
Other individual customers	9,533,964	-	9,533,964	11,302,456	-	11,302,456
	13,882,490	7,891,404	21,773,894	14,716,962	7,511,831	22,228,793

24. Interest income and expenses

■a. Interest income

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

Details of interest income recognised in the consolidated income statement at 31 December 2018 and 31 December 2017 are as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Financial assets held for trading	8,699	9,004
Non-trading financial assets mandatorily at fair value through profit or loss	-	6,230
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	5,848	5,615
Financial assets measured at amortised cost	36,164	31,524
Of which: Loans and advances	25,546	28,942
Derivatives - Hedge accounting, interest rate risk	-	-
Other assets	-	-
	50,711	52,373

•b. Interest expenses

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

Details of interest expenses recognised in the consolidated income statement at 31 December 2018 and 31 December 2017 are as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Financial liabilities held for trading	-	-
Financial liabilities designated at fair value through profit or loss	-	28
Financial liabilities at amortised cost	26,384	20,528
Of which: deposits	16,537	15,812
Of which: Debt securities issued	9,847	4,716
Other liabilities	864	2,788
Interest expense on assets	-	-
Derivatives - hedge accounting, interest rate risk	-	-
	27,248	23,344

25. Dividend income

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

	Thousands of Euros	
	31/12/18	31/12/17
Dividend income		
Financial assets at fair value through other comprehensive income	592	272
	592	272

26. Fee and commission income

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

A breakdown of the balance of this line item of the consolidated income statement at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Fee and commission income		
Fees and commission on services	7,461	20,517
Income from services	12,372	17,561
Fees and commission on giros	1,097	2,842
Fees and commission on safe deposit rental	820	1,641
Fees and commission on credit cards	1,987	2,219
Fees and commission on account maintenance	5,782	8,481
Other	2,686	2,378
Surety bonds	627	689
Fees and commission on transferable securities	142,387	148,347
Stock exchange transactions on behalf of customers	54,105	65,561
Securities depository management	20,203	20,629
Financial transactions	68,079	62,157
	162,847	187,114

27. Fee and commission expenses

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

A breakdown of the balance of this line item of the consolidated income statement at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Fee and commission expenses		
Securities deposits	841	1,147
Fees and commission on credit cards	1,178	1,241
Swift expenses	201	247
Representation expenses	36,949	33,865
Other	4,300	3,647
	43,469	40,147

28. Gains or losses on financial assets and financial liabilities

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

Details of the balances of this line item of the accompanying consolidated income statement at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Gains or losses on financial assets and financial liabilities		
Gains or losses on derecognition of financial assets and financial liabilities not measured at fair value through profit or loss, net	(26)	3,539
Financial assets at fair value through other comprehensive income	(26)	3,539
Financial assets measured at amortised cost	-	-
Financial liabilities measured at amortised cost	-	-
Other	-	-
Gains or losses on financial assets and financial liabilities held for trading, net	33,567	27,467
Gains or losses on financial assets and financial liabilities at fair value through profit or loss, net	72	-
Gains or losses on hedge accounting, net	(33)	49
	33,580	31,055

■ a. Details of Gains or losses derecognised in financial assets and financial liabilities not measured at fair value through profit or loss, net at 31 December 2018 and 31 December 2017 are as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Gains or losses on financial assets and financial liabilities held for trading, net		
Derivatives	20,165	9,093
Equity instruments	(338)	(100)
Debt securities	13,740	18,474
	33,567	27,467

•b. Details of Gains or losses from hedge accounting, net at 31 December 2018 and 31 December 2017 are as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Gains or losses on hedge accounting, net		
Changes in fair value of hedging instrument (including discontinued operations)	21	449
Changes in fair value of hedged item attributable to hedged risk	(54)	(400)
Ineffectiveness in results of cash flow hedging	-	-
Ineffectiveness in results of hedging of net investments in foreign operations	-	-
	(33)	49

29. Exchange gains/losses, net

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

These net exchange differences recognised in the consolidated income statement at 31 December 2018, excluding those corresponding to the portfolio of financial assets and financial liabilities at fair value through profit or loss, amount to Euros 8,964 thousand (Euros 12,303 thousand at 31 December 2017).

30. Other operating income/expenses

A breakdown of the balance of this line item in the consolidated income statement at 31 December 2018 and 31 December 2017 is as follows:

	Thousands of Euros			
	31/12/18		31/12/17	
Other operating income and other operating expenses	Income	Expenses	Income	Expenses
Changes in fair value of tangible assets measured using the fair value model	-	-	-	-
Investment property	146	-	-	-
Operating leases other than investment property	1,157	-	1,202	(876)
Other	4,763	(3,854)	6,579	(6,948)
	6,066	(3,854)	7,781	(7,824)

31. Administrative expenses

•a. Personnel expenses

A breakdown of the amounts included under this line item in the consolidated income statement for 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Salaries and bonuses to current employees	74,406	78,596
Social Security contributions	12,919	13,385
Other salary commitments	757	854
Termination benefits	2,393	1,853
Training expenses	-	-
Equity-based remuneration	-	-
Other personnel expenses	6,186	9,761
	96,661	104,449

b. Other administrative expenses

A breakdown of this line item of the consolidated income statement at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Furniture, fittings and materials	12,777	12,844
Utilities	813	801
IT and communications	15,008	16,074
Publicity and advertising	3,257	3,873
Security and fund courier services	471	553
Insurance and self-insurance policies	600	684
Independent professional services	14,974	17,284
Repairs and maintenance	1,972	2,010
Administration	4,614	3,558
Other	3,629	2,904
	58,115	60,585

32. Provisions or reversals of provisions

At 31 December 2018 and 31 December 2017 net charges to this line item of the consolidated income statement are as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Provisions or reversals of provisions		
Pensions and other defined post-employment benefit obligations and Other long-term employee benefits	(2)	(522)
Legal issues and litigation for outstanding taxes	64	(3,283)
Commitments and guarantees given	19	(51)
Other provisions	1,529	(2,119)
	1,610	(5,975)

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

Impairment losses on financial assets, disclosed by nature of these assets, recognised in the consolidated income statement at 31 December 2018 and 31 December 2017 are as follows:

	Thousands of Euros		
31 December 2018	Gains	(Losses)	Total net of gains and losses
Financial assets carried at cost	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-
Financial assets measured at amortised cost	9,017	(3,086)	5,931
	9,017	(3,086)	5,931

			Thousands of Euros
31 December 2017	Gains	(Losses)	Total net of gains and losses
Financial assets carried at cost	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-
Financial assets measured at amortised cost	5,714	-	5,714
	5,714	-	5,714

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

At 31 December 2018 and 2017 the Andbank Group presents the following balance classified as impairment or reversal of impairment on non-financial assets:

			Thousands of Euros
	31/12/18		31/12/17
Gains or losses on derecognition of non-financial assets			
Property, plant and equipment	(161)		-
Investment property	-		-
Intangible assets	(75)		-
Other assets	(75)		15
	(311)		15

35. Gains or losses on non-current assets and disposal groups of classified as held for sale not permitted as discontinued operations

Details of the balance of this line item of the consolidated income statements at 31 December 2018 and 31 December 2017 are as follows:

			Thousands of Euros
	31/12/18		31/12/17
Net gains on sale of buildings	3,778		3,238
Impairment of non-current assets held for sale	(1,424)		(202)
Gains (losses) on sale of investments classified as non-current assets held for sale	-		-
Gains (losses) on sale of other equity instruments classified as non-current assets held for sale	-		-
	2,354		3,036

36. Balances and transactions with related parties

Andorra Banc Agrícola Reig, SA and other Andbank Group companies carry out transactions with their related parties within the normal course of business. All these transactions are carried out in normal market conditions. Other related parties include shareholders with significant influence over the Bank, i.e. with an interest of more than 5%. A breakdown of transactions with related parties identified in 2018 and 2017 is as follows:

•a. Transactions with related entities and individuals

The balances of the accompanying consolidated statements of financial position and income statements originating due to transactions carried out by the Andbank Group with related parties at 31 December 2018 and 2017 are as follows:

Thousands of Euros		
2018	Outstanding balances	
	Key management personnel of the Bank or its Parent	Other related parties
Selection of financial assets	897	78,008
Equity instruments	-	-
Debt securities	-	-
Loans and advances	897	78,008
Of which: impaired financial assets	-	-
Selection of financial liabilities	2,985	18,794
Deposits	2,985	18,693
Debt securities issued	-	101
Nominal amount of loan, financial guarantee and other commitments given	44	2,278
Notional amount of derivatives	-	-
Income statement	6	865
Finance income	3	796
Finance costs	(2)	(7)
Fee and commission income	6	76
Fee and commission expenses	-	-
Memorandum items	38,470	80,688
Security deposits and other securities held in custody	38,470	80,688

Thousands of Euros		
2017	Outstanding balances	
	Key management personnel of the Bank or its Parent	Other related parties
Selection of financial assets	4,885	66,174
Equity instruments	-	-
Debt securities	-	-
Loans and advances	4,885	66,173
Of which: impaired financial assets	-	1
Selection of financial liabilities	5,469	17,691
Deposits	5,469	17,691
Debt securities issued	-	-
Nominal amount of loan, financial guarantee and other commitments given	69	12,112
Notional amount of derivatives	-	-
Income statement	249	2,578
Finance income	171	2,252
Finance costs	-	(47)
Fee and commission income	78	373
Fee and commission expenses	-	-
Memorandum items	70,804	64,249
Security deposits and other securities held in custody	70,804	64,249

b. Remuneration of key management personnel of the Bank

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

Details of remuneration accrued in 2018 and 2017 by key management personnel are as follows:

	Thousands of Euros	
	2018	2017
Remuneration		
Fixed remuneration	4,512	4,587
Variable and deferred remuneration	1,742	2,546
Other personnel expenses	442	943
Total	6,696	8,076

37. Taxation

The Andbank Group's Andorran companies have been filing income tax returns since 2012. In accordance with prevailing legislation, these companies' profits are taxed at a rate of 10%. Tax payable is eligible for certain deductions in accordance with legislation prevailing at any given time. Foreign subsidiaries are taxed in accordance with the legislation of each country.

In the opinion of the Bank's directors and its tax advisors, there are no significant tax contingencies which could give rise to possible different interpretations of prevailing tax legislation in the event of an inspection.

Details of this line item of the consolidated income statement are as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Current income tax for the year	(1,612)	(3,010)
Deferred tax income	-	-
Income tax adjustments	237	1,178
Local income tax	(1,375)	(1,832)
Foreign income tax	(5,303)	(2,499)
Total	(6,678)	(4,331)

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

	Thousands of Euros	
	31/12/18	31/12/17
Accounting profit before tax	19,192	38,737
Permanent differences	1,443	1,110
originating in the year	1,443	1,110
originating in prior years	-	-
Accounting income	20,635	39,847
Temporary differences	-	-
originating in the year	-	-
Taxable income	20,635	39,847
Tax rate of 10%	2,064	3,985
Tax payable	2,064	3,985
Deductions and credits	(452)	(975)
Income tax expense for the year	1,612	3,010
Withholdings and payments on account	-	(1,587)
Tax difference	1,612	1,423

A reconciliation between accounting profit before tax and the aggregate income tax expense of the Andbank Group's Andorran companies for 2018 and 2017 is as follows:

	Income and expenses for the year	
	31/12/18	31/12/17
Income and expenses for the year	19,192	38,737
10% of the income and expenses balance for the year	1,919	3,874
Tax effect of permanent differences	145	111
Deductions and credits for the current year	(452)	(975)
Income tax expense	1,612	3,010

As a result of prevailing legislation, certain temporary differences have arisen which have been recognised in the consolidated statement of financial position at 31 December 2018 and 2017. Movement in the different deferred tax assets and liabilities of the Andbank Group's Andorran companies during 2018 and 2017 has been as follows (in thousands of Euros):

	Thousands of Euros			
	Deferred tax assets		Deferred tax liabilities	
	2018	2017	2018	2017
Opening balance	12,858	11,955	9	67
Increases (*)	14,095	905	6	-
Decreases	(11,466)	(2)	-	(58)
Closing balance	15,487	12,858	15	9

(*) Data for 2018 includes the tax effect of the first-time adoption of IFRS 9

Details, by type, of the origin of deferred tax assets and liabilities of the Andbank Group's Andorran companies at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	31/12/18	31/12/17
Deferred tax assets		
Differences due to temporary charging of income and expenses	-	-
Provisions and other impairment	8,098	12,847
Other	61	11
Other assets	7,328	-
	15,487	12,858
Deferred tax liabilities		
Other	15	9

Tax assets include amounts recognised by the Andbank Group's Andorran companies, once income tax for 2017 had been filed, for unused deductions (Euros 799 thousand) and for tax loss carryforwards (Euros 43,215 thousand).

38. Risk management

■a. General model for risk management and control

One of the Andbank Group's key issues and priority objectives has always been to achieve a robust and efficient risk control and management model. 2018 has been a year of continuity with regard to developing and strengthening the integral risk management model, guaranteeing that it covers all risks to which the Andbank Group is exposed and enables optimum management of its capital.

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

This new model for managing and controlling risks is fundamental for establishing the metrics and limits of the risk appetite framework, such as the quantity and type of risks which are considered reasonable to assume as part of the business strategy. At the end of 2018 the first review of the metrics and limits to the risk appetite framework was carried out, for the purpose of adapting them to the Andbank Group's business strategy and achieving its objectives.

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

The main items ensuring effective control are:

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

■b. Capital management

In a session held on 20 December 2018, the Principality of Andorra's General Council approved the Law regulating capital adequacy and liquidity criteria of financial institutions.

This law obliges banks to maintain a minimum capital adequacy ratio of 10%, based on the recommendation of the Basel Committee on Banking Regulations and Supervisory Practices, calculated on the basis of a ratio that relates the qualifying equity to the weighted risk assets as per the degree of risk of such assets. Banks are also obliged to maintain a liquidity ratio of at least 40%.

The capital adequacy and liquidity ratios, determined in accordance with this law, were 22.31% and 66.60%, respectively, at 31 December 2018 (24.57% and 75.80% at 31 December 2017).

The Law regulating capital adequacy and liquidity criteria of financial institutions also restricts the concentration of risks in a single beneficiary up to a maximum of 20% of the equity of the bank. The law also stipulates that the accumulation of risks that by themselves exceed 5% of the equity cannot exceed the limit of 400% of the above-mentioned equity. The risk maintained with the members of the board of directors cannot exceed 15% of the equity. These risks are weighted in accordance with the aforementioned law.

During 2018 and 2017 the Bank has complied with the requirements of this Law. The maximum risk concentration of risk in favour of a single beneficiary was 12.84% of equity (10.95% in 2017). Loans or other operations involving risk in a single beneficiary that exceed 5% of equity have not exceeded risks of 112.52% in the aggregate (81.74% in 2017).

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

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

The new Law obliges banking entities to maintain a minimum CET1 of 4.5%, minimum TIER1 capital of 6% and a total capital ratio of 8%. At 31 December 2018 Andbank's capital is significantly above these minimum ratios. In this regulatory environment, Andbank's capital ratios at 31 December 2018 are:

	Fully Loaded	Phased In
Ratio CET1	13.09 %	14.39 %
Ratio TIER1	15.76 %	16.98 %
Ratio capital	15.79 %	17.01 %

•c. Credit risk

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

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

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

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

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

(I) CREDIT RISK CYCLE

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

• Analysis and admission of transactions:

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

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

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

This analysis and admission process comprises three phases:

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

• Monitoring:

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

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

In addition, daily monitoring and control is performed on compliance of limits and lines of risk approved. At market close, all the exposures are recalculated in accordance with the inflows

and outflows of transactions, market variations and risk mitigation mechanisms established. In this way, exposures are subject to daily monitoring and a control of the approved limits.

• **Recoveries:**

Recovery is a relevant function within the credit risk environment. This process defines the strategies and measures required to ensure the correct regularisation and recovery of credits in an irregular situation, in the shortest timeframe and at the lowest cost possible.

This function is carried out by the collection and recovery department. This department is an area of direct customer management and its added value is based on the efficient and effective management of collections, either by regularisation of balances payable or full recovery.

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

(III) CREDIT RISK IMPAIRMENT

A financial asset or credit risk are considered impaired if there is objective evidence of impairment as a result of one or more events which give rise to a negative impact on the estimated future cash flows when the transaction is formalised, due to the materialisation of a credit risk.

Impairment losses on debt instruments and other off-balance sheet loan exposures are recognised as an expense in the consolidated income statement for the year in which this impairment is estimated. The recovery of previously recognised losses, where applicable, is also recognised in the consolidated income statement for the year in which the impairment disappears or is reduced.

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

Accounting classification based on credit risk due to insolvency

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

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

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

▪ **Standard exposure with significant increase in risk or Stage 2:**

this category comprises all transactions which, without qualifying individually for classification as Stage 3 or write-off, have shown significant increases in credit risk since initial recognition. This category includes transactions for which there are amounts more than 30 days past due. Refinanced and restructured transactions, classified in this category, are transferred to a lower risk category when they meet the requirements established for this reclassification. Transactions classified as standard under special monitoring (Stage 2), due to significant increases in risk or as a result of amounts more than 30 days past due, are reclassified in the standard exposure category (Stage 1) once the six-month trial period has elapsed, based on the probability of entering the standard exposure under special monitoring category.

▪ **Doubtful or Stage 3:** comprises debt instruments, either past due or not, for which without meeting the circumstances to be classified under write-off show reasonable doubts regarding their full repayment (principal and interest) by the borrower, as well as off-balance sheet exposures, payment of which by the Andbank Group is probable and their recovery doubtful.

- Due to customer arrears: transactions with an amount (principal, interest or contractually agreed expenses), generally more than 90 days past due (although the particular nature of the purchased or originated credit-impaired transactions are taken into consideration), unless they should be classified as write-off. This category also includes the collateral given when the borrower defaults on the secured transaction. Likewise, amounts of all transactions of a borrower are included when transactions with amounts generally past due, as indicated above, by more than 90 days exceed 20% of the amounts receivable.

- For reasons other than customer arrears: transactions which, without meeting the conditions for being classified as write-off or stage 3 due to customer arrears, show reasonable doubts about the obtaining of estimated cash flows, as well as off-balance sheet exposures not classified in Stage 3 due to customer arrears, payment of which by the Andbank Group is probable and their recovery doubtful.

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

▪ **Write-off:** The Group derecognises from the statements of financial position transactions the recovery of which, after an individual analysis, is considered fully or partially remote. This category includes risks of customers under insolvency, with request for liquidation, as well as transactions classified as Stage 3 due to customer arrears past due by more than four years, or less when the amount not hedged with effective guarantees has been held with a credit risk hedge of 100% over a period of more than two years, except for balances with sufficient effective guarantees. It also includes transactions

which, without any of the aforementioned circumstances, show a significant and irrecoverable impairment in solvency.

(III) ESTIMATED HEDGING OF CREDIT RISK LOSSES

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

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

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

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

(IV) CREDIT RISK MITIGATION

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

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

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

(V) FIRST-TIME ADOPTION OF IFRS 9

As explained in more detail in note 41, Andorra is immersed in an ongoing process of adaptation to international standards. In 2017 the Bank started to apply International Accounting Standard 39 (IAS 39) instead of the Accounting Plan for Andorra. For the current year under audit the Bank has implemented

International Financial Reporting Standard 9 (IFRS 9) which regulates the management of financial assets and which directly affects Loans and receivables.

On 1 January 2018 IFRS 9 Financial instruments came into force, which superseded IAS 39 Financial instruments: recognition and measurement and which has led to the amendment of a series of accounting requirements for the recognition and measurement of financial assets and financial liabilities, as well as the impairment of financial instruments.

In its communiqué "recommendation EB 01/2018" dated 21 December 2018, the Andorran supervisory body (Andorran Financial Authority or "AFA") informed on the publication of a guide containing the supervisory expectations and good practices regarding the implementation of IFRS 9 by Andorran banking entities and for credit risk management. In its aforementioned communiqué the AFA authorised Andorran banking entities to adopt, in advance, for 2018, the IFRS-EU, simultaneously to their entry into force in the European Union, therefore enabling them to be IFRS-EU compliant. IFRS 9 introduces a new accounting system for hedge accounting, replacing the former system during a transitory period.

The adoption of this standard generally implies advance recognition of impairment losses on financial assets in relation to the criteria applied in accordance with the former legislation.

As explained in more detail in note 41 (Transition to IFRS 9), Andorra is immersed in an ongoing process of adaptation to international standards. In 2017 the Bank started to apply International Accounting Standard 39 (IAS 39) instead of the Accounting Plan for Andorra. For 2018 the Bank has implemented a legislative change encompassing IFRS 9, affecting the classification of financial instruments, hedge accounting and the estimate of credit risk impairment.

Legislation permits, provided that there is a regulatory change, that the potential impacts deriving from first-time adoption are charged against reserves. With the implementation of the IFRS-EU adopted by the Andorran Government in 2017, the balancing entries of the assets which have been the most affected have been the provisions of the loan portfolio and foreclosed assets. The change in legislation has led to a gross impact of Euros 106,471 thousand on reserves, Euros 46,028 thousand of which correspond to Loans and receivables and Euros 35,080 thousand to Foreclosed assets.

The change in legislation in 2018 has led to a net impact of Euros 35,438 thousand on reserves, Euros 11,521 thousand of which relate to loans and receivables and Euros 14,804 thousand to derivatives.

Maximum exposure to credit risk

In accordance with IFRS 7 Financial instruments: Disclosures, details are provided below, by line item of the consolidated statement of financial position, of the distribution of the Andbank Group's maximum exposure to credit risk at 31 December 2018 and 2017, without deducting the collateral security or the credit enhancements obtained to ensure compliance with payment obligations, disclosed by nature of the financial instruments.

	Thousands of Euros	
Maximum exposure to credit risk	31/12/18	31/12/17
Financial assets held for trading	201,326	339,490
Derivatives	74,495	80,720
Equity instruments	1,269	9,635
Debt securities	125,562	249,135
Loans and advances	-	-
Financial assets designated at fair value through profit or loss	56,655	-
Equity instruments	6,279	-
Debt securities	50,376	-
Loans and advances	-	-
Available-for-sale financial assets	418,702	230,468
Equity instruments	20,838	27,543
Debt securities	397,864	202,925
Loans and advances	-	-
Loans and receivables	1,457,697	1,664,601
Loans and advances	1,457,697	1,664,601
Held-to-maturity investments	181,391	291,569
Debt securities	181,391	291,569
Loans and advances	-	-
Derivatives - Hedge accounting	-	90
Total exposure for financial assets	2,315,771	2,526,218
Loan commitments given	280,155	248,472
Financial guarantees given	58,713	111,664
Other commitments and other guarantees given	6,567	-
Total commitments and guarantees given	345,435	360,136
Total maximum exposure to credit risk	2,661,206	2,886,354

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

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

Credit quality of financial assets

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

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

Rating	31/12/18	31/12/17
AAA	119,410	446,170
AA+	4,719	10,425
AA	48,286	25,265
AA-	16,162	10,356
Aa3	-	358
A+	54,631	-
A	22,686	-
A-	149,530	86,331
BBB+	185,886	170,868
BBB	92,014	-
BBB-	50,612	-
BB+	-	11,983
BB	418	-
BB-	9,101	-
B+	140	-
B	-	26
B-	-	-
CCC+	-	-
CCC	-	-
CCC-	-	-
CC	-	-
C	-	-
DDD	-	-
DD	-	-
D	57	-
Not applicable	1,541	19,025

Past-due but not impaired risks and doubtful or impaired risks

The following tables provide details by counterparty and by product of risks that are past due but not considered to be impaired at 31 December 2018 and 2017, listed by their first past-due date; as well as the breakdown of the debt securities and loans and advances individually and collectively estimated, and the specific valuation adjustments for individually estimated and for collectively estimated:

	Non-doubtful			
			Not past due or past due ≤ 30 days	Past due >30 days ≤ 90 days
31 December 2018				
Loans and advances	1,756,751	1,702,904	1,686,177	16,727
Central banks	-	-	-	-
Public entities	43,638	43,638	43,638	-
Credit institutions	241,816	241,816	241,816	-
Other financial companies	50,973	50,789	50,789	-
Other non-financial companies	684,611	654,905	650,377	4,528
Of which: small and medium-sized companies	602,575	582,433	577,905	4,528
Of which: secured by retail real estate	212,278	194,742	194,742	-
Homes	735,713	711,756	699,557	12,199
Of which: secured by residential real estate	312,756	295,670	292,474	3,196
Of which: consumer credit	263,058	218,519	210,136	8,383

	Non-doubtful exposure - Accumulated impairment and provisions		
31 December 2018			
Loans and advances	(57,417)	(35,265)	(22,152)
Central banks	-	-	-
Public entities	(218)	(218)	-
Credit institutions	(1)	-	(1)
Other financial companies	(68)	(18)	(50)
Other non-financial companies	(33,299)	(25,227)	(8,072)
Of which: small and medium-sized companies	(30,574)	(24,888)	(5,686)
Of which: secured by retail real estate	(25,477)	(21,310)	(4,167)
Homes	(23,831)	(9,802)	(14,029)
Of which: secured by residential real estate	(9,818)	(919)	(8,899)
Of which: consumer credit	(5,345)	(621)	(4,724)

Gross carrying amount / Nominal amount							
Doubtful							
	Payment improbable not past due or past due <= 90 days	Past due >90 days <= 180 days	Past due > 180 days <= 1 year	Past due >1 year <=5 years	Past due > 5 years	Of which: default	Of which: impaired
	53,847	5,164	6,336	4,424	21,887	16,036	54,159
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	184	-	-	183	1	-	184
	29,706	2,947	4,456	1,941	12,917	7,445	29,216
	20,142	2,947	65	1,941	12,824	2,365	21,143
	17,536	-	4,391	-	7,777	5,368	17,536
	23,957	2,217	1,880	2,300	8,969	8,591	24,977
	17,086	1,566	998	2,015	5,520	6,987	17,085
	44,539	623	317	271	41,723	1,605	6,953

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

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

	Payment improbable not past due or past due <= 90 days	Past due > 90 days <=180 days	Past due >180 days <=1 year	Past due > 1 year <= 5 years	Past due >5 years
	(1,404)	(1,155)	(1,380)	(9,272)	(8,941)
	-	-	-	-	-
	-	-	-	-	-
	(1)	-	-	-	-
	-	-	(49)	(1)	-
	(831)	(590)	(555)	(3,047)	(3,049)
	(831)	(53)	(555)	(3,045)	(1,202)
	-	(537)	-	(1,665)	(1,965)
	(572)	(565)	(776)	(6,224)	(5,892)
	(158)	(213)	(546)	(3,481)	(4,501)
	(414)	(249)	(220)	(2,450)	(1,391)

31 December 2017	Matured but unimpaired assets			
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days
Equity instruments	-	-	-	-
Of which: at cost	-	-	-	-
Of which: credit institutions	-	-	-	-
Of which: other financial companies	-	-	-	-
Of which: non-financial companies	-	-	-	-
Debt securities	-	-	-	-
Central banks	-	-	-	-
Public entities	-	-	-	-
Credit institutions	-	-	-	-
Other financial companies	-	-	-	-
Non-financial companies	-	-	-	-
Loans and advances	8,464	805	2,295	-
Central banks	-	-	-	-
Public entities	23	-	-	-
Credit institutions	-	-	-	-
Other financial companies	359	9	-	-
Non-financial companies	2,245	94	479	-
Homes	5,836	702	1,816	-
TOTAL	8,464	805	2,295	-
Loans and advances for products, collateral security and subordination	-	-	-	-
On demand with short notice (current account)	6,069	141	46	-
Credit cards	30	-	-	-
Customer portfolio	-	-	-	-
Finance leases	-	-	-	-
Reverse repurchase loans	-	-	-	-
Other term loans	2,365	663	2,249	-
Advances other than loans	-	-	-	-
Of which: Mortgage loans (loans secured by real estate)	295	442	434	-
Of which: other loans with collateral security	2,501	217	1,744	-
Of which: consumer credit	5,444	259	1,291	-
Of which: home loans	121	11	434	-
Of which: Project financing loans	1,027	3	14	-

(*) Data originally reported, in accordance with legislation prevailing in 2017

Impairment losses

Movements during 2018 and 2017 in the provisions recognised in the accompanying consolidated statements of financial position to cover

31 December 2018	Opening balance	Increases due to origin and acquisition	Decrease due to disposals
Provisions for financial assets without increase in credit risk since initial recognition (Stage 1)	3,188	702	(1,591)
Debt securities	-	-	-
Central banks	-	-	-
Public entities	-	-	-
Credit institutions	-	-	-
Other financial companies	-	-	-
Non-financial companies	-	-	-
Loans and advances	3,188	702	(1,591)
Central banks	-	-	-
Public entities	279	29	(43)
Credit institutions	-	-	-
Other financial companies	6	8	(3)
Non-financial companies	755	297	(230)
Homes	2,148	368	(1,315)
Provisions for debt instruments with a significant increase in credit risk since initial recognition, but with no credit impairment (Stage 2)	38,322	23	1,689
Debt securities	-	-	-
Central banks	-	-	-
Public entities	-	-	-
Credit institutions	-	-	-
Other financial companies	-	-	-
Non-financial companies	-	-	-
Loans and advances	38,322	23	1,689
Central banks	-	-	-
Public entities	-	-	-
Credit institutions	-	-	-
Other financial companies	1	-	-
Non-financial companies	28,335	1	85
Homes	9,986	22	1,604
Provisions for credit-impaired debt instruments (Stage 3)	31,031	227	(5,635)
Debt securities	-	-	-
Central banks	-	-	-
Public entities	-	-	-
Credit institutions	-	-	-
Other financial companies	-	-	-
Non-financial companies	-	-	-
Loans and advances	31,031	227	(5,635)
Central banks	-	-	-
Public entities	-	-	-
Credit institutions	-	-	-
Other financial companies	-	3	-
Non-financial companies	7,925	54	(993)
Homes	23,106	170	(4,642)
Total	72,541	952	(5,537)

the impairment or reversal of the impairment of the estimated value of loans and advances and debt securities are as follows:

	Changes due to modification in credit risk (net)	Changes due to modifications without derecognition (net)	Decreases due to adjustments to the value of derecognised write-offs	Other adjustments	Closing balance
	328	-	(696)	181	2,112
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	328	-	(696)	181	2,112
	-	-	-	-	-
	(48)	-	-	-	217
	-	-	-	-	-
	3	-	-	2	16
	181	-	(380)	309	932
	192	-	(316)	(130)	947
	(599)	113	(299)	(5,730)	33,519
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	(599)	113	(299)	(5,730)	33,519
	-	-	-	-	-
	-	-	-	-	-
	(1)	-	-	27	27
	(651)	(38)	(1)	(2,592)	25,139
	53	151	(298)	(3,165)	8,353
	(4,777)	(2,198)	(7,285)	10,421	21,784
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	(4,777)	(2,198)	(7,285)	10,421	21,784
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	57	60
	(1,589)	(539)	(1,895)	5,141	8,104
	(3,188)	(1,659)	(5,390)	5,223	13,620
	(5,048)	(2,085)	(8,280)	4,872	57,415

31 December 2017 (*)	Opening balance	Increases due to provisions for estimated loan losses during the period
Equity instruments		
Specific valuation adjustments for financial assets, estimated individually	34,253	1,359
Debt securities	-	-
Central banks	-	-
Public entities	-	-
Credit institutions	-	-
Other financial companies	-	-
Non-financial companies	-	-
Loans and advances	-	-
Central banks	-	-
Public entities	-	-
Credit institutions	-	-
Other financial companies	-	-
Non-financial companies	26,665	1,055
Homes	7,588	304
Specific valuation adjustments for financial assets, estimated collectively	30,912	9,821
Debt securities	-	-
Central banks	-	-
Public entities	-	-
Credit institutions	-	-
Other financial companies	-	-
Non-financial companies	-	-
Loans and advances	-	-
Central banks	-	-
Public entities	-	-
Credit institutions	-	-
Other financial companies	11	258
Non-financial companies	4,983	2,853
Homes	24,054	6,709
Collective valuation adjustments for losses on financial assets incurred but not reported	17,352	5,444
Debt securities	-	-
Loans and advances	17,352	5,444
Total	80,793	16,623

(*) Data originally reported, in accordance with legislation prevailing in 2017

	Decreases due to amounts for reversed estimated loan losses during the period	Decreases due to amounts charged to valuation adjustments	Transfers between valuation adjustments	Other adjustments	Closing balance
	2,012	5,178	1,885	584	25,954
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	1,850	5,178	1,885	360	18,447
	161	-	-	224	7,507
	11,155	1,991	5,152	-	22,435
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	60	-	209	-	-
	1,826	-	1,430	-	4,581
	6,944	1,991	3,974	-	17,854
	11,496	301	-	-	10,998
	-	-	-	-	-
	11,496	301	-	-	10,998
	22,939	7,470	7,036	584	59,387

Risk concentration

Details of the risk concentrations of the different financial instruments, by product and geographical area, at 31 December 2018 and 31 December 2017

31/12/18	Financial assets held for trading			Non-trading financial assets mandatorily at fair value through profit or loss	
	Debt securities	Equity instruments	Derivatives	Debt securities	Equity instruments
Spain	100,817	1	618	-	-
France	2,953	-	794	-	-
Italy	164	-	-	50,376	-
Germany	5,289	-	-	-	-
Holland	1,954	-	-	-	-
Andorra	4,836	11	-	-	4,803
Rest of Europe	3,437	1,137	49,859	-	-
USA	3,581	3	5,286	-	1,476
Latin America	2,372	-	-	-	-
Other	159	117	17,938	-	-
	125,562	1,269	74,495	50,376	6,279

31/12/2017 (*)	Financial assets held for trading		
	Debt securities	Equity instruments	Derivatives
Spain	79,352	67	2,307
France	22,794	-	-
Italy	3	31	-
Germany	5,444	-	-
Holland	-	-	-
Andorra	14,230	57	274
Rest of Europe	98,517	5,259	64,313
USA	15,295	375	-
Latin America	3,951	685	6
Other	9,549	3,161	13,820
	249,135	9,634	80,720

(*) Data originally reported, in accordance with legislation prevailing in 2017

December 2017, are as follows:

Thousands of Euros						
Financial assets at fair value through other comprehensive income		Held-to-maturity investments		Financial assets measured at amortised cost		
Debt securities	Equity instruments	Debt securities	Interbank	Central banks and other demand deposits (interbank)	Gross loans and receivables	
91,595	1,027	-	92,185	441,316	364,278	
46,210	-	-	77,006	234,508	83,622	
-	-	129,331	-	481	2,811	
-	-	7,086	-	312	1,704	
30,065	-	833	-	238	4,125	
90,825	5,800	-	-	2,279	698,711	
34,615	13,571	-	48,958	327,084	197,772	
97,080	76	44,141	219	256,059	30,185	
7,474	-	-	22,795	1,299	122,728	
-	364	-	474	150,260	9,176	
397,864	20,838	181,391	241,637	1,413,836	1,515,112	

Thousands of Euros						
Available-for-sale financial assets		Held-to-maturity investments		Loans and advances		
Debt securities	Equity instruments	Debt securities	Interbank	Central banks and other demand deposits (interbank)	Gross loans and receivables	
-	268	1,000	109,891	165,524	315,979	
1,010	-	-	-	15,611	99,497	
-	-	58,338	-	567	3,830	
-	-	7,168	-	551	51	
-	-	-	-	-	27,016	
84,173	11,811	-	-	10,421	717,978	
-	20,378	110,873	103,970	955,041	168,019	
107,833	(5,217)	114,190	-	208,424	16,759	
9,908	-	-	-	9,499	126,008	
-	302	-	-	51,248	34,991	
202,924	27,542	291,569	213,860	1,416,885	1,510,128	

Netting of assets and liabilities

The Bank presents on the consolidated statements of financial position the fair value of asset and liability derivatives at gross amount and has not carried out any netting. However, some of the financial derivatives contracted are subject to settlement agreements such as ISDA master agreements or similar agreements. These agreements permit the settlement of contracts deriving from the netting in the event of the counterparty's default, but not in the course of ordinary business, and the Bank does not have the intention to settle these contracts at net amount. The table below shows the value of assets and liabilities recognised on the statement of financial position subject to the agreements described at 31 December 2018, as well as the balances of collateral and other offsetting agreements:

			Thousands of Euros
31 December 2018	Carrying amount	Clearing agreements and collateral	Net exposure
Financial assets			
Derivatives	74,495	(11,099)	63,396
Loans and advances	217,719	(27,796)	189,923
Financial liabilities			
Derivatives	73,550	(62,925)	10,625
Deposits	281,528	(70,927)	210,601

			Thousands of Euros
31 December 2017	Carrying amount	Clearing agreements and collateral	Net exposure
Financial assets			
Derivatives	80,720	(16,986)	63,734
Loans and advances	274,388	(29,136)	245,252
Financial liabilities			
Derivatives	61,178	(13,317)	47,860
Deposits	322,272	(34,220)	288,052

rd. Market risk

Sensitivity analysis

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

VaR is calculated using the historical method. The calculation obtained corresponds to the maximum expected loss over a given time horizon and with a given confidence level. The Bank calculates VaR for a time horizon of one day and with a confidence level of 99%, and the historical period used for the calculation is one year. During 2018 the average VaR calculated for the trading portfolio was Euros 364 thousand, with a maximum of Euros 1,313 thousand and a minimum of Euros 82 thousand. The average position of the trading portfolio was Euros 315 million. Globally the trading portfolio comprises bonds with good credit ratings and of a very short duration, which determines a very reduced VaR.

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

The table below shows a summary of the VaR positions from the Bank's trading activity at 31 December 2018 and 2017, as well as during the period (based on a confidence level of 99% and a historical period of one year considered for the calculation):

Thousands of Euros				
At 31 December 2018	VaR at 31/12/2017	Average VaR for the period	Maximum VaR for the period	Minimum VaR for the period
<i>Interest rate and spread risk</i>	108	327	1,306	64
Currency risk	-	-	-	-
Variable income risk	106	123	177	39
Volatility/matching risk	-	-	-	-
Diversification effect	(63)	(86)	(155)	(29)
Total	151	364	1,328	74

Thousands of Euros				
At 31 December 2017	VaR at 31/12/2017	Average VaR for the period	Maximum VaR for the period	Minimum VaR for the period
<i>Interest rate and spread risk</i>	88	533	1,140	79
Currency risk	-	-	-	-
Variable income risk	74	143	167	67
Volatility/matching risk	-	-	-	-
Diversification effect	125	566	1,152	104
Total	125	566	1,152	104

Exposure to interest rate risk - Non-trading activity

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

In the historically low interest rate scenario of recent years, the Bank maintains a positive exposure to shifts in the interest rate curve; i.e. the Bank's financial margin would increase if the interest rate were to rise and decrease if the interest rate were to fall, despite the fact that in the current rate levels this sensitivity is asymmetric and positive sensibility shows a much higher figure than negative sensitivity. The repricing gap of the Bank's interest-rate-sensitive assets and liabilities is positive, i.e., overall, the repricing of assets precedes in time the repricing of liabilities. This position is reflected in the transfer of interbank deposits to very short terms and in the holding of a fixed income investment portfolio mainly invested in bonds with yield pegged to floating interest rates, or fixed income bonds with short and medium-term maturity, although part of the portfolio comprises long-term fixed-interest bonds which enable an additional margin to be generated and increase the duration of the asset on the consolidated statement of financial position. Most of these bonds are financed in the market through fixed rate repos, which enable the duration risk to be hedged. During 2018 interest rate swaps and futures have been contracted to hedge the duration risk of bonds in the medium and long term from the investment portfolio.

The limit on the sensitivity of equity to a 100 basis point parallel shift in the yield curve has been set by the board of directors at 5%. During 2018 the sensitivity of own funds has remained under this limit.

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

Thousands of Euros							
31 December 2018	Up to one month	From one month to three months	From three months to one year	From one to five years	More than five years	Not sensitive	Total balance
Cash, balances with other central banks and other demand deposits	1,159,084	4,046	15,263	88,530	156,823	9,648	1,433,394
Financial assets	59,359	63,737	64,636	314,682	252,379	103,281	858,074
Loans and receivables	246,866	131,111	486,354	417,015	473,157	(55,171)	1,699,332
5.2.- Loans and credits to entities	148,778	20	-	474	91,955	422	241,649
5.3 Credits to customers	98,088	131,091	486,354	416,541	381,202	(55,393)	1,457,883
Hedging derivatives	-	-	-	-	-	-	-
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	2,978	2,978
Other assets	-	-	-	-	-	449,208	449,208
Total Assets	1,465,309	198,894	566,253	820,227	882,359	509,944	4,442,986
Financial liabilities held for trading	-	-	-	-	-	66,227	66,227
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities at amortised cost	795,767	131,678	377,460	824,587	1,116,714	481,605	3,727,811
3.1. - Deposits in central banks	47,614	12,000	210	-	-	-	59,824
3.2. - Deposits in banks	255,043	(719)	5,002	136,322	131,885	11,512	539,045
3.3. - Customer deposits	492,611	118,722	359,550	310,711	905,746	455,684	2,643,024
3.3.1.- Demand	391,621	61,345	146,095	245,862	905,746	417,593	2,168,262
3.3.2.- Term	100,990	57,377	213,455	64,849	-	35,684	472,355
3.3.3.- Unpaid interest incurred	-	-	-	-	-	2,407	2,407
3.3.4.- Other financial liabilities.	-	-	-	-	-	-	-
3.4.- Debt securities	499	1,675	12,698	377,554	79,083	1,110	472,619
3.5. Other financial liabilities	-	-	-	-	-	13,299	13,299
Hedging derivatives	-	-	-	-	-	7,322	7,322
Liabilities under insurance contracts	-	-	-	-	-	262	262
Other assets	-	-	-	-	-	124,720	124,720
Total Liabilities	795,767	131,678	377,460	824,587	1,116,714	680,136	3,926,342
Equity	-	-	-	-	35,000	481,644	516,644
Total Liabilities + Equity	795,767	131,678	377,460	824,587	1,151,714	1,161,780	4,442,986
Assets	95,888	159,342	10,552	-	-	-	265,782
Liabilities	78,545	124,642	10,405	401	51,789	-	265,782
IRS - Derivatives	17,343	34,700	147	(401)	(51,789)	-	-
SIMPLE GAP	687,750	101,917	188,939	(4,760)	(321,145)	(652,701)	-
ACCUMULATED GAP	687,750	789,667	978,606	973,846	652,701	-	-

Thousands of Euros							
31 December 2017	Up to one month	From one month to three months	From three months to one year	From one to five years	More than five years	Not sensitive	Total balance
Cash, balances with other central banks and other demand deposits	1,447,004	-	-	-	-	-	1,447,004
Financial assets	83,070	196,104	65,699	154,199	246,121	116,334	861,527
Loans and receivables	659,430	480,025	532,528	17,754	30,848	(55,984)	1,664,601
5.2.- Loans and credits to entities	103,682	61,129	48,625	-	-	425	213,861
5.3 Credits to customers	555,748	418,896	483,903	17,754	30,848	(56,409)	1,450,740
Hedging derivatives	-	-	-	-	-	90	90
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	2,000	2,000
Other assets	-	-	-	-	-	448,018	448,018
Total Assets	2,189,504	676,129	598,227	171,953	276,969	510,458	4,423,240
Financial liabilities held for trading	-	-	-	-	-	58,088	58,088
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities at amortised cost	492,140	408,566	1,097,911	360,183	202,874	1,147,585	3,709,259
3.1. - Deposits in central banks	12,166	-	-	-	-	-	12,166
3.2. - Deposits in banks	158,039	135,787	8,437	887	89,670	1,233	394,053
3.3. - Customer deposits	318,872	272,779	1,081,768	70,638	5,236	1,089,729	2,839,022
3.3.1.- Demand	90,655	181,309	815,891	-	-	1,087,855	2,175,710
3.3.2.- Term	228,217	91,470	265,877	70,638	5,236	-	661,438
3.3.3.- Unpaid interest incurred	-	-	-	-	-	1,874	1,874
3.3.4.- Other financial liabilities.	-	-	-	-	-	-	-
3.4.- Debt securities	3,063	-	7,706	288,658	107,968	53,500	460,895
3.5. Other financial liabilities	-	-	-	-	-	3,123	3,123
Hedging derivatives	-	-	-	-	-	3,089	3,089
Other assets	-	-	-	-	-	145,364	145,364
Total Liabilities	492,140	408,566	1,097,911	360,183	202,874	1,354,126	3,915,800
Equity	-	-	-	-	-	507,440	507,440
Total Liabilities + Equity	492,140	408,566	1,097,911	360,183	202,874	1,861,566	4,423,240
Assets	348,157	26,414	29,196	10,405	-	-	414,172
Liabilities	47,570	41,744	126,948	110,910	87,000	-	414,172
IRS - Derivatives	300,587	(15,330)	(97,752)	(100,505)	(87,000)	-	-
SIMPLE GAP	1,997,951	252,233	(597,435)	(288,735)	(12,904)	(1,351,109)	-
ACCUMULATED GAP	1,997,951	2,250,183	1,652,748	1,364,013	1,351,109	-	-

Sensitivity analysis

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

Thousands of Euros				
	Impact on net interest margin		Impact on economic value	
	Increase of 25 basis points	Decrease of 25 basis points	Increase of 100 basis points	Decrease of 100 basis points
31 December 2018				
Average for the period	10.69%	-10.58%	1.66%	-1.66%
Maximum for the period	13.93%	-13.50%	4.20%	-4.20%
Minimum for the period	9.59%	-9.17%	0.04%	-0.04%
31 December 2017				
Average for the period	9.45%	-9.45%	1.24%	-1.24%
Maximum for the period	10.80%	-10.76%	3.97%	-3.97%
Minimum for the period	8.22%	-8.22%	0.21%	-0.21%

Exposure to currency risk

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

Thousands of Euros		
Foreign currency exposure	2018	2017
USD	5,370	3,017
GBP	(20)	(40)
CHF	3,260	5,332
JPY	2	(163)

re. Liquidity risk

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

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

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

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

On a daily basis the financial risk control department controls the liquidity available at different day ends, verifying that they remain above the minimum liquidity level established. During 2018 this minimum level currently stands at Euros 350 million in a day and Euros 500 million in cash and highly liquid positions available within one year. This control includes daily monitoring of positions to be financed through repo and of the liquid portfolio. The Bank has complied with these limits throughout the year.

The liquidity ratio established by the AFA, the Andorran banking supervisor, is calculated monthly. This ratio compares liquid and relatively liquid assets with liabilities becoming due and payable and is set at a minimum of 40%. This means that the Bank is required to have at least 40% of liquid or semi-liquid assets, available immediately or in the near term, to cover the total amount of the funding received. During 2018 the Bank maintained an average liquidity ratio of 68.26% and at reporting date the ratio stood at 66.60%.

In order to comply with international standards, the Andbank Group calculates and monitors the liquidity coverage ratio (LCR). This ratio is defined by the Basel Banking Supervision Committee and links highly liquid and available assets with net cash inflows less outflows in the following 30 days. The Andbank Group has a LCR of 360% at 2018 reporting date, fully complying with the limit imposed by legislation (90%).

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

Analysis of maturity dates for financial assets and financial liabilities

The following table shows the classification of the Andbank Group's main asset and liability accounts at 31 December 2018 by contractual maturity or, where applicable by expected realisation or settlement terms:

Thousands of Euros							
31 December 2018	Up to one month	From one month to three months	From three months to one year	From one to five years	More than five years	Not sensitive	Total balance
Cash, balances with other central banks and other demand deposits	1,159,084	4,046	15,263	88,530	156,823	9,648	1,433,394
Financial assets	59,359	63,737	64,636	314,682	251,513	104,147	858,074
Loans and receivables	246,866	131,112	486,354	417,015	473,157	(55,171)	1,699,333
5.2.- Loans and credits to entities	148,778	20	-	474	91,955	422	241,648
5.3 Credits to customers	98,088	131,092	486,354	416,541	381,202	(55,593)	1,457,685
Hedging derivatives	-	-	-	-	-	-	-
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	2,978	2,978
Other assets	-	-	-	-	-	449,207	449,207
Total Assets	1,465,309	198,895	566,253	820,227	881,493	510,809	4,442,986
Financial liabilities held for trading	-	-	-	-	-	66,227	66,227
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities at amortised cost	795,768	133,117	377,460	824,586	1,115,275	481,605	3,727,811
3.1. - Deposits in central banks	47,614	12,000	210	-	-	-	59,824
3.2. - Deposits in banks	255,043	719	5,002	136,322	130,446	11,512	539,044
3.3. - Customer deposits	492,612	118,723	359,551	310,711	905,746	455,684	2,643,027
3.3.1.- Demand	391,621	61,346	146,095	245,862	905,746	417,593	2,168,263
3.3.2.- Term	100,991	57,377	213,456	64,849	-	35,684	472,357
3.3.3.- Unpaid interest incurred	-	-	-	-	-	2,407	2,407
3.3.4.- Other financial liabilities.	-	-	-	-	-	-	-
3.4.- Debt securities	499	1,675	12,697	377,553	79,083	1,110	472,617
3.5. Other financial liabilities	-	-	-	-	-	13,299	13,299
Hedging derivatives	-	-	-	-	-	7,322	7,322
Liabilities under insurance contracts	-	-	-	-	-	262	262
Other assets	-	-	-	-	-	124,720	124,720
Total Liabilities	795,768	133,117	377,460	824,586	1,115,275	680,136	3,926,342
Equity	-	-	-	-	35,000	481,644	516,644
Total Liabilities + Equity	795,768	133,117	377,460	824,586	1,150,275	1,161,780	4,442,986
SIMPLE GAP	670,407	65,777	188,792	(4,359)	(268,783)	(651,835)	-
ACCUMULATED GAP	670,407	736,184	924,976	920,617	651,835	-	-

Thousands of Euros							
31 December 2017	Up to one month	From one month to three months	From three months to one year	From one to five years	More than five years	Not sensitive	Total balance
Cash, balances with other central banks and other demand deposits	1,446,754	-	-	-	-	250	1,447,004
Financial assets	73,650	57,529	105,965	159,135	348,914	116,334	861,527
Loans and receivables	298,787	191,678	430,762	363,370	435,989	(55,985)	1,664,601
5.2.- Loans and credits to entities	15,906	61,133	48,625	-	87,772	424	213,860
5.3 Credits to customers	282,881	130,545	382,137	363,370	348,217	(56,409)	1,450,741
Hedging derivatives	-	-	-	-	-	90	90
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	2,000	2,000
Other assets	18	-	-	-	1,417	446,583	448,018
Total Assets	1,819,209	249,207	536,727	522,505	786,320	509,272	4,423,240
Financial liabilities held for trading	-	-	-	-	-	58,088	58,088
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities at amortised cost	690,247	174,838	455,397	613,872	1,296,257	478,647	3,709,258
3.1. - Deposits in central banks	12,166	-	-	-	-	-	12,166
3.2. - Deposits in banks	136,678	34,514	8,437	887	212,303	1,233	394,052
3.3. - Customer deposits	538,339	140,324	439,255	324,327	975,987	420,791	2,839,023
3.3.1.- Demand	392,862	61,540	146,558	246,641	909,192	418,917	2,175,710
3.3.2.- Term	145,476	78,784	292,697	77,686	66,795	-	661,438
3.3.3.- Unpaid interest incurred	(6)	-	-	-	-	1,874	1,868
3.3.4.- Other financial liabilities.	-	-	-	-	-	-	-
3.4.- Debt securities	3,064	-	7,705	288,658	107,967	53,500	460,894
3.5. Other financial liabilities	-	-	-	-	-	3,123	3,123
Hedging derivatives	-	-	-	-	-	3,089	3,089
Other assets	166	-	-	-	299	144,899	145,365
Total Liabilities	690,413	174,838	455,397	613,872	1,296,556	684,723	3,915,801
Equity	-	-	-	-	8,042	499,397	507,439
Total Liabilities + Equity	690,413	174,838	455,397	613,872	1,304,598	1,184,120	4,423,240
SIMPLE GAP	1,128,796	74,369	81,330	(91,367)	(518,278)	(674,849)	-
ACCUMULATED GAP	1,128,796	1,203,164	1,284,494	1,193,127	674,849	-	-

Those assets which at 31 December 2018 and 2017 are committed (provided as collateral or guarantee with regard to certain liabilities) and those which are free of charges, are shown as follows:

				Thousands of Euros
At 31 December 2018	Carrying amount of committed assets	Market value of committed assets	Carrying amount of non-committed assets	Market value of non-committed assets
Equity instruments	-	-	30,326	30,326
Debt securities	213,688	213,688	545,819	545,819
Loans and advances	-	-	-	-

				Thousands of Euros
At 31 December 2017	Carrying amount of committed assets	Market value of committed assets	Carrying amount of non-committed assets	Market value of non-committed assets
Equity instruments	-	-	40,424	40,141
Debt securities	271,379	264,034	471,067	457,828
Loans and advances	-	-	-	-

At 31 December 2018 and 2017 collateral received mainly for the temporary acquisition of assets or securities loaned, the majority of which could be committed, for the purpose of obtaining financing, are shown as follows:

				Thousands of Euros
At 31 December 2018	Fair value of committed guarantees received or own shares issued	Fair value of guarantees received or own shares issued available for commitment	Fair value of guarantees received or own shares issued not available for commitment	
Guarantees received				
Equity instruments	-	-	-	
Debt securities	218,797	171,355	47,442	
Loans and advances	-	-	-	

				Thousands of Euros
At 31 December 2017	Fair value of committed guarantees received or own shares issued	Fair value of guarantees received or own shares issued available for commitment	Fair value of guarantees received or own shares issued not available for commitment	
Guarantees received				
Equity instruments	-	-	-	
Debt securities	300,240	75,042	225,198	
Loans and advances	-	-	-	

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

-f. Operational risk

In accordance with the guidelines of the Basel Committee, the Andbank Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

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

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

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

- To promote and develop an operational risk culture throughout the Andbank Group, involving all business functions in management and control of operational risk.
- To design and implement a framework to manage and control operational risk, guaranteeing that all events subject to generating operational risk are identified and duly managed.
- To oversee the correct design, maintenance and implementation of legislation regarding operational risk.
- To monitor the operational risk limits set, ensuring that the risk profile remains within the Bank's risk appetite level.
- To supervise the management and control of operational risk in the different business and support areas.
- To ensure that senior management and the board of directors receive a global overview of all the relevant risks, ensuring that the operational risk profile is reported.

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

- A database of events, enabling all events with operational risk within all of the Andbank Group's subsidiaries to be captured and registered. The most relevant events of each subsidiary and of the Andbank Group are specifically reviewed and documented.
- A risks and controls map enabling all the risks from the Bank's daily operations to be identified, as well as the persons in charge and controls. The objective is to define mitigation measures and action plans to reduce risk exposure.
- The annual Risk & Control Self-Assessment (RCSA), consisting of an assessment of the processes, enables critical points and the level of risk management quality to be identified in order for it to be improved and strengthened.
- Key risk indicators (KRIs) enable proactive management of the risk, evaluating the level of operational control through analysis and monitoring of its performance.

The governance and methodology of analysis is established under the directives of the Basel Committee.

■g. Legislative compliance risk

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

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

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

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

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

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

Ethical and conduct rules

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

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

Prevention of money laundering and terrorism financing

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

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

In the framework of private banking the Bank has a global money laundering model based on EU directives. This model includes

necessary adaptations to the particularities of the business of each subsidiary and to local legislation and is constantly being changed to bring it into line with legislative amendments.

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

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

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

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

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

Investor protection

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

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

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

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

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

CRS (Common Reporting Standard)

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

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

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

Knowledge management and training

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

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

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

Incidents and complaints

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

39. Fair value of financial instruments

■a. Measurement models and framework

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

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

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

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

31 December 2018	Level 1	Level 2	Level 3
Financial assets held for trading	119,886	81,440	-
Derivatives	-	74,495	-
Equity instruments	1,123	146	-
Debt securities	118,763	6,799	-
Financial assets at fair value through other comprehensive income	-	56,655	-
Equity instruments	-	6,279	-
Debt securities	-	50,376	-
Financial assets designated at fair value through profit or loss	281,002	137,700	-
Equity instruments	8,720	12,118	-
Debt securities	272,282	125,582	-
Derivatives - Hedge accounting	-	-	-
Financial assets not measured at fair value	112,981	68,410	-
Equity instruments	-	-	-
Debt securities	112,981	68,410	-
Financial liabilities held for trading	-	73,550	-
Derivatives	-	66,227	-
Derivatives - Hedge accounting	-	7,322	-

31 December 2017	Level 1	Level 2	Level 3
Financial assets held for trading	223,913	115,577	-
Derivatives	-	80,720	-
Equity instruments	5,914	3,721	-
Debt securities	217,999	31,136	-
Available-for-sale financial assets	103,177	127,291	-
Equity instruments	20,281	7,261	-
Debt securities	82,895	120,029	-
Derivatives - Hedge accounting	-	90	-
Financial assets not measured at fair value	152,342	139,227	-
Equity instruments	-	-	-
Debt securities	152,342	139,227	-
Financial liabilities held for trading	-	61,178	-
Derivatives	-	58,089	-
Derivatives - Hedge accounting	-	3,089	-

(*) Data originally reported, in accordance with legislation prevailing in 2017

During 2018 and 2017 no significant movements have arisen between the fair value hierarchy levels.

c. Valuation techniques

For the recurrent and non-recurrent fair value measurements classified in Level 2 and Level 3 of the fair value hierarchy, a description, by type of instrument, of the valuation technique/s and inputs used to measure fair value at 31 December 2018 and 2017 is provided below:

31 December 2018	Fair value	Valuation techniques	Significant non-observable input	Range of estimates (weighted average) for non-observable input
Level 2 financial instruments				
Derivatives	74,495	Discount Model, Credit Default Model Black-Scholes Futures	Not applicable	-
Equity instruments	18,543	Deal Value	Not applicable	-
Debt securities	251,166	Credit Risky Models, Discount Model, Deal Value, others	Not applicable	-

31 December 2017	Fair value	Valuation techniques	Significant non-observable input	Range of estimates (weighted average) for non-observable input
Level 2 financial instruments				
Derivatives	80,720	Discount Model, Credit Default Model Black-Scholes Futures	Not applicable	-
Equity instruments	10,982	Deal Value	Not applicable	-
Debt securities	290,392	Credit Risky Models, Discount Model, Deal Value, others	Not applicable	-

d. Financial instruments not measured at fair value

The table below shows the fair value of financial instruments which are not measured at fair value in the statements of financial position and are measured by fair value hierarchy level for 2018 and 2017:

Financial assets measured at amortised cost	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31/12/18	108,115	51,117	-	159,232	181,391
31/12/17	151,046	119,582	-	270,628	291,569

40. Events after the reporting period

No significant events have taken place between the reporting date and the date these annual accounts were authorised for issue.

41. Transition to IFRS 9

On 19 December 2018 the Decree approving certain international financial reporting standards as adopted by the European Union (IFRS-EU) was passed and the Decree was amended which approved the accounting framework applicable to entities operating in the Andorran financial system and to collective investment undertakings under Andorran law in accordance with international financial reporting standards as adopted by the European Union (IFRS-EU) which have also been adopted by Andorra (IFRS-Andorra), on 22 December 2016. In accordance with this standard, individual and consolidated annual accounts must be prepared for the financial years beginning on or after 1 January 2018 in accordance with the IFRS mentioned in article 1 of this Decree.

As mentioned in notes 2 and 3, on 1 January 2018 IFRS 9 came into force and replaced IAS 39 in relation to the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

IFRS 9 contains a new approach to the classification and measurement of financial assets reflected by the business model in which the assets and their cash flow characteristics are managed.

IFRS 9 contains three main classification categories for financial assets: measured at amortised cost, measured at fair value through accumulated other comprehensive income and measured at fair value through profit or loss. The standard eliminates the categories existing in IAS 39 of investments held to maturity, loans and receivables and available-for-sale.

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

Opening statement of financial position at 1 January 2018

The effects of adopting IFRS 9 on the Andbank Group's statements of financial position at 31 December 2017 are as follows:

Assets	31 December 2017 IAS 39	Classification and measurement of financial instruments	Impairment	Opening balance at 1 January 2018 IFRS 9
Cash, cash balances with central banks and other demand deposits	1,447,004	-	-	1,447,004
Financial assets held for trading	339,490	-	-	339,490
Derivatives	80,720	-	-	80,720
Equity instruments	9,635	-	-	9,635
Debt securities	249,135	-	-	249,135
Loans and advances	-	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	6,436	-	6,436
Financial assets designated at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income	-	224,032	-	224,032
Equity instruments	-	21,107	-	21,107
Debt securities	-	202,925	-	202,925
Loans and advances	-	-	-	-
Available-for-sale financial assets	230,468	(230,468)	-	-
Loans and receivables	1,664,601	(1,664,601)	-	-
Financial assets measured at amortised cost	-	1,956,170	-	1,956,170
Debt securities	-	291,569	-	291,569
Loans and advances to central banks	-	1,664,601	-	1,664,601
Loans and advances to credit institutions	-	-	-	-
Loans and advances to customers	-	-	-	-
Held-to-maturity investments	291,569	(291,569)	-	-
Derivatives - Hedge accounting	90	-	-	90
Changes in fair value of hedged items of a portfolio with an interest rate risk hedge	3,863	-	-	3,863
Investments in joint ventures and associates	2,000	-	-	2,000
Assets under insurance and reinsurance contracts	11,214	-	-	11,214
Tangible assets	34,282	-	-	34,282
Intangible assets	244,212	-	-	244,212
Tax assets	32,358	-	-	32,358
Other assets	68,304	-	-	68,304
Non-current assets and disposal groups classified as held for sale	46,965	-	-	46,965

Liabilities and Equity	31 December 2017 IAS 39	Classification and measurement of financial instruments	Impairment	Opening balance at 1 January 2018 IFRS 9
Financial liabilities held for trading	58,088	-	-	58,088
Financial liabilities designated at fair value through profit or loss	-	-	-	-
Financial liabilities at amortised cost	3,674,259	-	-	3,674,259
Deposits	3,245,242	-	-	3,245,242
Debt securities issued	425,894	-	-	425,894
Other financial liabilities	3,123	-	-	3,123
Derivatives - Hedge accounting	3,089	-	-	3,089
Changes in fair value of hedged items of a portfolio with an interest rate risk hedge	-	-	-	-
Liabilities under insurance and reinsurance contracts	11,214	-	-	11,214
Provisions	28,693	-	-	28,693
Tax liabilities	25,027	-	-	25,027
Share capital repayable on demand	-	-	-	-
Other liabilities	80,430	-	-	80,430
Liabilities included in disposal groups classified as held for sale	-	-	-	-
TOTAL LIABILITIES	3,880,800	-	-	3,880,800
Capital and reserves	536,823	-	-	536,823
Capital	78,842	-	-	78,842
Share premium	73,441	-	-	73,441
Equity instruments issued other than capital	35,000	-	-	35,000
Other equity items	-	-	-	-
Accumulated gains	375,208	-	-	375,208
Revaluation reserves	1,942	-	-	1,942
Other reserves	(65,158)	-	-	(65,158)
Less: Treasury shares	(1,605)	-	-	(1,605)
Profit or loss attributable to owners of the Parent	39,153	-	-	39,153
Less: Interim dividend	-	-	-	-
Accumulated other comprehensive income	(1,810)	-	-	(1,810)
Minority interests (non-controlling interests)	607	-	-	607
TOTAL EQUITY	535,620	-	-	535,620
TOTAL EQUITY AND LIABILITIES	4,416,420	-	-	4,416,420

A reconciliation of equity at 31 January 2018 for the purpose of the first-time adoption of IFRS 9 is as follows:

	Thousands of Euros
Equity as per IAS 39 at 31/12/2017	535,620
Net impact of adjustments to reserves	(35,438)
Total impact on reserves	(39,376)
Loans and receivables (Adjustment 1)	(12,801)
Embedded derivatives (Adjustment 2)	(16,450)
Changes in portfolio (Adjustment 3)	(10,125)
Tax impact of previous adjustments	3,938
Equity as per IFRS 9 at 01/01/2018	500,182

Adjustment 1 - Loans and receivables

In accordance with IAS 39 applicable during 2017, the Bank applied a segment-based method of calculating provisions using a calculation of the incurred loss from general risks (doubtful and non-doubtful) and through an individual analysis in those transactions which are individually significant.

IFRS 9 replaces the incurred loss model of IAS 39 with an expected loss model and reclassifies Loans and receivables existing under IAS 39 to the new portfolio defined by IFRS 9 of financial assets at amortised cost, due to the fact that all of the loans and receivables meet the requirements for classification as financial assets at amortised cost as they follow a specific business model and comply with the conditions of the SPPI test (solely payment of principal and interest). The Bank classifies the transactions in the following stages:

- Standard (Stage 1)
- Standard with significant increase in risk (Stage 2)
- Doubtful (Stage 3)
- Write-off

Pursuant to prevailing legislation the Bank must calculate allowances and provisions based on expected losses. This calculation is made using the alternative method tables published by the AFA in its Supervisory guide relating to the adoption of IFRS 9 dated 21 December 2018. In addition, the Bank makes an individual provision for those transactions in Stage 2 or 3 and which meet the requirements described in the aforementioned guide.

The adjustment relating to this change in calculation of provisions for loan losses is included under Financial assets at amortised cost for a gross amount of Euros (12,801) thousand against reserves.

Adjustment 2 - Embedded derivatives

In contrast to the approach under IAS 39, with the adoption of IFRS 9, and in view of the existence of an embedded derivative in a host contract giving rise to a financial asset, the embedded derivative is not separated and classification standards are applied to the financial instrument as a whole. Therefore, as specified in the prevailing standard, these types of derivative should not be separated from financial assets and should be measured as a whole.

The adjustment relating to the embedded derivatives from the own portfolio gives rise to a gross impact of Euros (16,450) thousand against the Bank's equity.

Adjustment 3 - Changes in portfolio

As set out by IFRS 9, the classification of financial instruments in an amortised cost category depends on the business model followed by the Bank in relation to the financial instrument and on the assessment of the contractual cash flows (solely payment of principal and interest criteria (SPPI)). Those financial assets which do not correspond to what is established in the aforementioned assessments have been measured at fair value, instead of amortised cost, as was applicable under IAS 39.

This has given rise to certain valuation differences with a gross impact of Euros (10,125) thousand adjusted against the Bank's equity.

42. Compliance with legislation

Law regulating mandatory investment ratios (Llei de regulació del coeficient d'inversions obligatòries)

In a session held on 30 June 2004 the Principality of Andorra's General Council passed a Law regulating mandatory investment ratios. The Regulations pursuant to this law exclusively concern banking institutions and oblige them to maintain a certain investment ratio of assets in Andorran public funds.

On 31 December 2005 the Government enacted a Decree for public debt issue to which the Bank subscribed in an amount of Euros 55,766 thousand, with maturity on 31 December 2009 and accruing interest at the official one-year rate of the European Central Bank. It was renewed for successive years, amounting currently to Euros 57,066 thousand, falling due on 30 March 2022.

Law regulating deposit guarantee reserves and other operating obligations held and deposited by entities belonging to the financial system (Llei de regulació de reserves en garantia de dipòsit i d'altres obligacions operacionals a mantenir i dipositar per les entitats enquadrades en el sistema financer)

In a session held on 11 May 1995 the Principality of Andorra's General Council, passed a Law regulating deposit guarantee reserves and other operational obligations, which are to be held and deposited by entities operating in the financial system. This law obliges the banks forming part of the Andorran financial system to maintain in their permanent funds various minimum reserves of equity to secure their operational obligations up to a limit of 4% of their total investments, after deducting investments made using equity and banking funds. In accordance with Law 1/2011 of 2 February 2011 for the creation of a deposit guarantee scheme for banks, amounts deposited in the INAF pursuant to the provisions of the Law on deposit guarantee reserves and other operational obligations were released. Accordingly, as a consequence of the agreement reached by the guarantee fund Management Commission on 29 August 2011, pursuant to Law 1/2011 of 2 February 2011, the Bank created a reserve of Euros 25,929 thousand at 31 December 2016 (see note 20).

By virtue of Law 20/2018 of 13 September 2018 regulating Andorran deposit guarantee funds and the Andorran investment guarantee system, Law 1/2011 was repealed, except for the fourth transitional provision. This Law sets out the need for an additional buffer of funds for the guarantee fund and the annual contribution, as an ex-ante system, of contributions of an amount equivalent to 0.8% of the deposit guarantees up to 30 June 2024. At the same time the maximum coverage is increased by the investment guarantee system, stipulated by this Law, giving the Fund management committees and Guarantee system the possibility of requesting additional extraordinary contributions from the member entities.

On 3 March 2010 the Government issued a decree classified as of national and social interest under the programme to provide privileged financing for start-up companies and businesses, innovation, conversion and entrepreneurial ventures. Basically, the decree is aimed at promoting and supporting the new ideas of those who, in difficult times and changing environments, see opportunities and challenges which, though not without risk, have the potential to assist the country's economic development. This is to be done by granting loans, subject to a prior assessment and overall approval of proposals by a joint committee made up of representatives of the Chamber of Commerce, Industry and Services of Andorra, the development company Andorra Desenvolupament i Inversió, SAU, the Association of Andorran Banks (ABA) and the Government of Andorra.

The amount outstanding at 31 December 2018 is Euros 0 thousand (Euros 10 thousand in 2017), recognised under Loans and receivables in the statement of financial position.

On 23 April 2014 the Andorran Government issued the Regulation governing the programme for adjustments to improve national real estate, enhance energy efficiency of buildings and the use of renewable energy, amended by the revised Regulation dated 11 February 2015. The amount outstanding at 31 December 2018 for operations under this programme is Euros 1,383 thousand (Euros 1,494 thousand at 31 December 2017), recognised under loans and advances to customers in the consolidated statement of financial position.

Law 14/2017 of 22 June 2017 on the prevention and combat against the laundering of money or securities and the financing of terrorism (Llei 14/2017, del 22 de juny, de prevenció i lluita contra el blanqueig de diners o valors i el finançament del terrorisme)

In its session held on 22 June 2017, the Principality of Andorra's General Council approved the Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime. This law was published in the Official Gazette of the Principality of Andorra on 19 July 2017 and entered into force on 20 July 2017.

The implementation of international standards on the prevention of and combat against the laundering of money or securities and the financing of terrorism has become a national priority in Andorra, leading to the adoption of legislative

initiatives in recent years and a review of the system for preventing and suppressing these criminal activities order to achieve the most effective framework to combat them.

In this context, the Principality of Andorra is periodically subject to assessments by the European Council, carried out by a committee of experts, to evaluate the measures being taken to combat the laundering of money or securities and against the financing of terrorism (Moneyval). These assessments require an adequate and effective implementation of international standards in this matter, materialising in the new recommendations of the Financial Action Task Force (FATF).

The purpose of this law is to reinforce even further the Principality of Andorra's commitment towards preventing and suppressing money laundering and the financing of terrorism, through an ongoing process of adapting legislation to international standards.

In accordance with this law, the Bank has set up proper and sufficient control and internal communications procedures to protect banking secrecy and prevent and impede operations related to money laundering generated by criminal activities. Specific personnel training programs have been carried out to this effect.

Law on the legal regime governing entities operating in the Andorran financial system and other provisions regulating financial activities in the Principality of Andorra (Llei sobre el règim jurídic de les entitats operatives del sistema financer andorrà i altres disposicions que regulen l'exercici de les activitats financeres al Principat d'Andorra)

In the session held on 9 May 2013 the General Council approved Law 7/2013 on the legal regime governing entities operating in the Andorran financial system and other provisions regulating financial activities in the Principality of Andorra (Llei sobre el règim jurídic de les entitats operatives del sistema financer andorrà i altres disposicions que regulen l'exercici de les activitats financeres al Principat d'Andorra).

The purpose of this law is to unify the legislation governing banks operating in the financial system contained in Laws 24/2008, 13/2010, 14/2010 and the 1996 Law regulating the operational functions of the different components of the financial system into one single text. For this reason, although this Law does not introduce any significant amendments to the existing regulations, it does act to reinforce and restructure the prevailing laws to provide increased legal security to the legislative framework governing the Andorran financial system.

Approval of Law 7/2013 implies repealing the following laws: 1996 Law regulating the operational functions of the different components of the financial system; Law 24/2008 regulating the regime of specialised non-banking credit institutions; Law 13/2010 regulating the legal regime of investment entities and collective investment undertaking management companies; and articles 8 to 17 of Law 14/2010 regulating the legal regime of banking entities and the basic administrative regime of entities operating in the financial system.

Law on organisational requirements and operating conditions of the operating entities of the financial system, investor protection, market abuse and financial collateral arrangements (Llei sobre els requisits organitzatius i les condicions de funcionament de les entitats operatives del sistema financer, la protecció de l'inversor, l'abús de mercat i els acords de garantia financera)

In the session held on 9 May 2013 the General Council approved Law 8/2013 on organisational requirements and operating conditions of the operating entities of the financial system, investor protection, market abuse and financial collateral arrangements (Llei sobre els requisits organitzatius i les condicions de funcionament de les entitats operatives del sistema financer, la protecció de l'inversor, l'abús de mercat i els acords de garantia financera).

The purpose of this law is to maintain a structurally and functionally sound financial system, aiming at clarifying the legal framework regulating the financial system prevailing in Andorra. As a result, the provisions of Law 14/2010 and the prevailing provisions of the Law regulating the Andorran financial system dated 27 November 1993 are unified into a single text which incorporates commitments acquired regarding privileged information and market manipulation and abuse into Andorran legislation with the signing of the Monetary Agreement with the European Union.

This law includes the principles set out in Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004, known as MiFID (Markets in Financial Instruments Directive), relating to the rules regarding ethics and conduct to be complied with by investment entities.

The approval of Law 8/2013 involves repealing articles 1 to 7, 18 to 44 and 46 to 55 of Law 14/2010 regulating the legal regime of banking entities and the basic administrative regime of entities operating in the financial system; and repealing the Law regulating the Andorran financial system of 27 November 1993. This Law has been amended by Law 35/2018 of 20 December 2018 on solvency, liquidity and prudential supervision of banking entities and investment firms, and by Law 8/2018 of 17 May 2018 on payments services and electronic money and Law 27/2018 of 25 October 2018 amending Law 8/2018 of 17 May 2018 on payment services and electronic money.

Law governing the Andorran Financial Authority (Llei de l'Autoritat Financera Andorrana)

At the session held on 23 May 2013 the General Council approved Law 10/2013 regulating the Andorran National Institute of Finance (INAF).

The purpose of this law is to provide the INAF with the necessary resources to meet its objectives whilst, taking into consideration the INAF's global scope of operations in a context of international expansion of the Andorran financial system, increasing these resources in line with the global growth of financial markets and pursuant to the commitments Andorra has acquired from signing the Monetary Agreement with the European Union.

The approval of Law 10/2013 implies repealing the following laws: Law 14/2003 regulating the Andorran INAF; article 45 of Law 14/2010 regulating the legal regime of banking entities and the basic administrative regime of entities operating in the financial system; and article 22 of the Law regulating the capital adequacy and liquidity criteria of financial institutions of 29 February 1996, amongst other regulations.

Law governing indirect general taxation (Llei de l'Impost General Indirecte)

In its session held on 21 June 2012 the General Council of the Principality of Andorra approved the Law governing indirect general taxation (IGI) which entered into force on 1 January 2013. This law was subsequently amended by Law 29/2012 of 18 October 2012 and by Law 11/2013 of 23 May 2013, amending Law 11/2012. This general indirect tax is levied on goods delivered, service rendered and imports made by onerous contract in Andorra by business people or professionals usually or occasionally as part of their economic activity, irrespective of the purpose or the results achieved in the economic activity or in each particular transaction, including the condition of importer. The general tax rate is 4.5%, with a reduced rate of 1% and an increased rate of 9.5%, which is only applied to banking and financial services rendered.

The fifth additional provision to Law 11/2012 governing indirect general tax approved by Law 10/2014 of 3 June 2014 amending Law 11/2012, stipulates a special tax regime for the financial sector to which banks and non-banking specialised credit institutions carrying out activities subject to the increased tax rate stipulated in article 60 of the Law have adhered. This regime restricts the deduction of input tax to a maximum amount equivalent to 10% of the output tax at a rate of 9.5% for the rendering of bank and financial services. It is not applicable to real estate property.

The settlement period depends on the annual net turnover for all of the activities carried out by the tax payer in the immediately previous year. Payments can be made half-yearly, quarterly or monthly. Tax payers have to determine the tax debt in each settlement period, reducing the general indirect tax payable during the period by the general indirect tax installments receivable, which are deductible in nature. The payable to or receivable from the Andorran Government deriving from the declaration of the aforementioned tax is recognised under Loans and receivables or Current payables on the consolidated statements of financial position.

The entry into force of Law 11/2012 of 21 June 2012 governing indirect general tax repeals the Law governing indirect taxation on the rendering of banking and financial services of 14 May 2002.

Law governing non-resident income tax (Llei de l'Impost sobre la Renda de No Residents Fiscals)

In a session held on 29 December 2010 the General Council of the Principality of Andorra approved the Law governing non-resident income tax. This direct tax is levied on income obtained in the Principality of Andorra by individuals or entities which are non-resident for tax purposes.

The net tax payable is calculated by deducting the deduction for double taxation from the taxable income, determined in accordance with the Law governing non-resident income tax.

Pursuant to Law 94/2010 of 29 December 2010 governing non-resident income tax, amended by Law 18/2011 of 1 December 2011, the tax rate applicable in 2018 stands at 10% for general purposes, 1.5% when income derives from reinsurance operations and 5% when income is received in the form of royalties.

Payments on account of non-resident income tax made by the Bank during 2018 and 2017 are recognised under Other assets - Taxes on the accompanying consolidated statements of financial position (see note 13).

Law 8/2015 of 2 April 2015 on urgent measures to implement restructuring and resolving mechanisms in banking entities (Llei 8/2015, del 2 d'abril, de mesures urgents per implantar mecanismes de reestructuració i resolució d'entitats bancàries)

In the session held on 2 April, the Principality of Andorra's General Council approved Law 8/2015 of 2 April 2015 on urgent measures to implement restructuring and resolving mechanisms in banking entities.

This law is the Principality of Andorra's response to certain events suggesting that the financial system is closely interconnected and that any crisis in a financial institution could spread rapidly to other banks and to the global economy. Certain measures have been set up to flexibly respond to various situations related to this systemic risk, including the creation of an Agency for the Resolution of Banking Entities (AREB) as the competent authority in the area of resolution. In addition, an Andorran Fund for the Resolution of Banking Entities (FAREB) has been created for the purpose of backing to the extent possible, the measures agreed when applying the aforementioned law. The FAREB is an entity without legal personality managed by the AREB.

The wording and drafting of this Law have been inspired on the principles of Directive (EU) no 2014/59.

Law 19/2016 of 30 November 2016 on automatic exchange of information in tax matters (Llei 19/2016, del 30 de novembre, d'intercanvi automàtic d'informació en matèria fiscal)

This Law regulates the legal framework required to meet the commitments regarding the automatic exchange both with the European Union and those commitments assumed by virtue of the multilateral agreement of the Council of Europe and the OECD and adapts and incorporates the OECD's Common Reporting Standards (CRS) to the Andorran legal system.

Likewise, Law 11/2005 of 13 June 2005 applying the Agreement between the Principality of Andorra and the European Community in relation to the establishment of measures equivalent to those provided for in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments, was repealed.

Law 35/2018 of 20 December on solvency, liquidity and prudential supervision of banking entities and investment firms (Llei 35/2018, del 20 de desembre, de solvència, liquiditat i supervisió prudencial d'entitats bancàries i empreses d'inversió)

In order to adapt the Andorran legal framework to legislative changes in the European Union, a substantial amendment is required to the prevailing legislation in relation to the following: (i) Supervisory regime, (ii) seed capital requirements, (iii) access to activity, (iv) corporate governance requirements and (v) sanctioning regime.

Therefore, on 20 December 2018 the General Council approved the new Law on solvency, liquidity and prudential supervision which is implemented coherently and clearly and includes all the necessary legislative changes to incorporate community legislation into the Andorran legal framework. This Law comes into force on 24 January 2019 and certain aspects are subject to an adaptation timetable.

Amongst the main differences from a solvency standpoint we can highlight various differentiating capital items based on their capacity to absorb losses; stricter requirements when considering capital instruments as equity items; a significant increase in the total amount of exposure to the different risks to which entities are exposed; a capital buffer regime; self-assessment of the risk for each entity liaising with the Andorran Financial Authority (AFA), as well as the need to make a provision of capital to cover risks not included in the total exposure to the risk identified in the review and supervisory assessment processes; market transparency regarding entities meeting solvency and liquidity requirements and, finally, the AFA obligation to publish information in relation to financial regulation and supervision.

From a liquidity standpoint, the Law represents a significant improvement with regard to refining the calculation of the short-term liquidity ratio, in order to guarantee that sufficient liquid assets or a liquidity buffer are held to fully cover cash outflows less liquidity inflows, in scenarios of tension, over a period of 30 days. The former liquidity regime under the Law regulating capital adequacy and liquidity criteria of financial institutions of 29 February 1996 only stipulated that banking entities had to cover 40% of their short-term commitments with sufficiently liquid assets. The new liquidity regime also stipulates that entities have to calculate and inform the AFA regarding the long-term structural liquidity ratio or stable financing ratio, understood as the ratio between liabilities providing stable financing, such as equity and non-current deposits, and non-current assets which require stable financing. Until progress is made with regard to EU regulation on stable financing, it is not planned that a stable financing limit will be incorporated into the Andorran legal framework.

To conclude, the aim of this Law is none other than to boost the resilience of the Andorran banking and financial sector to ensure that it is better placed with regard to financial crises and to guarantee that banking entities continue to finance economic activity and economic growth with adequate and sufficient own funds.

Regulation relating to the legal regime on payment and electronic money services and on payment entities and electronic money institutions

In accordance with the Monetary Agreement, Andorra undertook to implement in its legal framework, inter alia, the EU legal provisions relating to Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC.

For the purpose of meeting the aforementioned commitments, at its session held on 17 May 2018 the General Council approved Law 8/2018 of 17 May 2018 on payment services and electronic money. This Law entered into force the day after its publication and its purpose was to include payment entities and electronic money institutions as new entities operating in the Andorran financial system, with their own legal regime and to regulate the rights and obligations of providers and users in relation to the rendering and use of payment services and the issue of electronic money. This law was subsequently amended by Law 27/2018 of 25 October 2018, modifying Law 8/2018 of 17 May 2018.

Lastly, the Government, making use of the capacity set out in the final ninth provision of Law 27/2018 of 25 October 2018, amending Law 8/2018 of 17 May 2018 on payment services and electronic money, enacted Title III of the Law 8/2018 which is drafted in accordance with the amendments of Law 27/2018 of 25 October 2018, amending Law 8/2018 of 17 May 2018 on payment services and electronic money, and rights and obligations in relation to the rendering and use of payments services; and Title IV of Law 8/2018, which is drafted in accordance with the amendments to Law 27/2018 of 25 October 2018 amending Law 8/2018 of 17 May 2018 on payment services and electronic money, authorising payment operations and their execution, both of payment orders and amounts transferred, as well as the execution period and the value date and corresponding responsibility regime.

The purpose of this law is to maintain a structurally and functionally sound financial system, aiming at clarifying the legal framework regulating the financial system prevailing in Andorra. As a result, the provisions of Law 14/2010 and the prevailing provisions of the Law regulating the Andorran financial system dated 27 November 1993 are unified into a single text which incorporates commitments acquired regarding privileged information and market manipulation and abuse into Andorran legislation with the signing of the Monetary Agreement with the European Union.

This law includes the principles set out in Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004, known as MiFID (Markets in Financial Instruments Directive), relating to the rules regarding ethics and conduct to be complied with by investment entities.

The approval of Law 8/2013 implies the repeal of articles 1 to 7, 18 to 44 and 46 to 55 of Law 14/2010 regulating the legal regime of banking entities and the basic administrative regime of entities operating in the financial system; and the repeal of the Law regulating the Andorran financial system of 27 November 1993.



Company	Registered office	Activity	% Direct ownership
Caronte 2002, SLU (**)	Andorra	Services	100%
Clau d'Or, SL (*)	Andorra	Real estate	100%
Mon Immobiliari	Andorra	Real estate	100%
Andorra Gestió Agrícola Reig, SAU	Andorra	Fund manager	100%
Andbank (Bahamas) Limited	Bahamas	Bank	100%
Nobilitas N.V.	Dutch Antilles	Holding	100%
Egregia B.V	Holland	Special purpose vehicle	-
Zumzeiga Cooperatief U.A	Holland	Special purpose vehicle	-
Andorra Assegurances Agrícola Reig, SAU	Andorra	Insurance	100%
AndPrivate Wealth S.A	Switzerland	Wealth management	-
Columbus de México, SA de CV	Mexico	Wealth management	-
Quest Capital Advisers Agente de Valores, SA	Uruguay	Securities broker	-
Andbank Asset Management Luxembourg	Luxembourg	Fund manager	-
Andbank Luxembourg, SA	Luxembourg	Bank	100%
Andbank España, SAU	Spain	Bank	100%
Andbank Wealth Management, SGIIC, SAU	Spain	Fund manager	-
Medipatrimonia Invest, SL	Spain	Investment services	-
Merchban, SA	Spain	Wealth management	-
Andbank Correduria de Seguros SL	Spain	Insurance	-
Andbank Monaco S.A.M.	Monaco	Bank	100%
Andbank Participações Ltda	Brazil	Portfolio and collective investment undertaking management company	1
Andbank (Brasil) Holding Financeira Ltda	Brazil	Holding	1
Banco Andbank (Brasil), S.A	Brazil	Bank	-
LLA Holding	Brazil	Holding	-
Lla Distribuidora de Títulos e Valores Mobiliários Ltda (DTVM)	Brazil	Intermediation of securities and discretionary portfolio management	-
Sigma Investment House Ltd.	Israel	Holding	0,6574
Sigma Portfolio Management Ltd.	Israel	Portfolio management	-
Sigma Premium Ltd.	Israel	Portfolio management and advisory services	-
Sigma Mutual Funds	Israel	Investment fund manager	-
Sigma Financial Planning Pension Insurance Agency Ltd.	Israel	Investment fund manager	-
APW Uruguay SA	Uruguay	Services	100
APC Servicios Administrativos SLU	Spain	Services	-
Andbanc Wealth Management LLC	USA	Holding	-
Andbanc Advisory LLC	USA	Advisory services	-
Andbanc Brokerage LLC	USA	Financial services	-
APW Consultores Financeiros, Lda	Brazil	Financial services	100%
AND PB Financial Services, S.A	Uruguay	Representation office	100%
Andorra Capital Agrícola Reig BV	Holland	Special purpose vehicle	100%
Andbank (Panamá) S.A.	Panama	Bank	1
AB Systems, SAU	Andorra	Services	100%
AB Covered Bond	Ireland	Special purpose vehicle	100%
AB Financial Products, D.A.C.	Ireland	Special purpose vehicle	100%
Sigma M. Partners, LTD	Israel	Services	49.78%

(*) Company wound up during 2018.

(**) Under liquidation

2018

% Indirect ownership	Audited company	Interim dividend	Equity	Capital	Reserves	Unused prior years' profit (losses)	Profit/(loss)
-	No	-	116	32	6	(7)	85
-	No	-	-	-	-	-	-
-	No	-	17	31	95	(110)	1
-	Yes	692	2,390	1,000	1,019	-	1,063
-	Yes	-	37,210	21,500	16,758	-	(1,048)
-	Yes	-	5,684	1,000	28,038	(23,341)	(12)
100%	Yes	-	3,427	180	11,469	(8,220)	(2)
100%	Yes	-	(4,251)	11,487	(16,142)	-	405
-	Yes	100	2,910	2,404	481	3	121
100%	Yes	-	3,008	3,580	(9)	(161)	(401)
50%	Yes	-	1,265	547	32	279	408
100%	Yes	-	2,036	12	0	2,053	(29)
100%	Yes	-	5,202	3,000	132	1,870	200
-	Yes	-	41,797	54,100	251	(9,829)	(2,725)
-	Yes	-	209,657	75,000	125,729	3,644	5,284
100%	Yes	-	7,858	1,004	5,036	-	1,818
100%	Yes	300	575	54	1,836	(1,476)	461
100%	Yes	-	11,989	407	12,628	(1,046)	-
100%	Yes	-	117	3	-	-	114
-	Yes	-	30,235	21,000	4,769	3,539	926
-	Yes	-	109	13	-	110	12
-	Yes	-	47,482	48,971	1,869	(3,265)	(93)
100%	Yes	-	41,531	50,048	52	(8,496)	(73)
100%	No	-	197	192	-	(117)	122
100%	Yes	-	162	213	-	(172)	121
-	Yes	-	7,332	365	7,304	(324)	(14)
60%	Yes	-	3,901	0	6,182	(2,287)	6
60%	Yes	-	(1,408)	-	720	(2,155)	27
60%	Yes	-	1,387	162	650	(262)	837
42%	Yes	-	(1,311)	0	-	(1,153)	(159)
-	Yes	-	422	371	-	(40)	152
100%	Yes	-	3,509	2,069	1,318	-	122
100%	Yes	-	(2,562)	11,549	10	(14,419)	299
100%	Yes	-	2,354	1,495	684	-	176
100%	Yes	-	1,729	2,459	-	(1,302)	572
-	Yes	-	785	1,322	-	(1,078)	(11)
-	Yes	-	106	162	-	(30)	(7)
-	Yes	-	350	18	-	262	69
-	Yes	-	13,450	6,655	1,111	6,975	106
-	No	-	57	60	-	-	(3)
-	Yes	-	38	0	-	(34)	72
-	Yes	-	(326)	1	-	(329)	1
-	Yes	-	309	465	821	(1,014)	37

Company	Registered office	Activity	% Direct ownership
Caronte 2002, SLU (**)	Andorra	Auxiliary services	100%
Clau d'Or, SLU (**)	Andorra	Real estate	100%
Mon Immobiliari	Andorra	Special purpose vehicle	100%
Andorra Gestió Agrícola Reig, SAU	Andorra	Collective investment undertaking management	100%
Andbank (Bahamas) Limited	Bahamas	Bank	100%
Nobilitas, N.V.	Dutch Antilles	Holding	100%
Egregia B.V	Holland	Holding	-
Zumzeiga Cooperatief U.A	Holland	Special purpose vehicle	-
Andorra Assegurances Agrícola Reig, SAU	Andorra	Insurance	100%
AndPrivate Wealth S.A	Switzerland	Wealth management	-
Columbus de México, SA de CV	Mexico	Collective investment undertaking management	-
Quest Capital Advisers Agente de Valores, SA	Uruguay	Securities broker	-
Andbank Asset Management Luxembourg	Luxembourg	Fund manager	-
Andbank Luxembourg, SA	Luxembourg	Bank	100%
Andbank España, SAU	Spain	Bank	100%
Andbank Wealth Management, SGIIC, SAU	Spain	Collective investment undertaking management	-
Medipatrimonia Invest, SL	Spain	Investment services	-
Andbank Monaco S.A.M.	Monaco	Bank	100%
LLA Participações Ltda	Brazil	Holding	-
Andbank (Brasil) Holding Financeira Ltda	Brazil	Holding	100%
Banco Andbank (Brasil), S.A	Brazil	Bank	-
LLA Holding Financera Ltd	Brazil	Holding	-
Lla Distribuidora de Títulos e Valores Mobiliários Ltda (DTVM)	Brazil	Intermediation of securities and discretionary portfolio management	-
Sigma Investment House Ltd.	Israel	Holding	60%
Sigma Portfolio Management Ltd.	Israel	Portfolio management	-
Sigma Premium Ltd.	Israel	Portfolio management and advisory services	-
Sigma Mutual Funds Ltd	Israel	Investment fund manager	-
Sigma Financial Planning Pension Insurance Agency Ltd.	Israel	Pension plan distributor	-
APW Uruguay SA	Uruguay	Services	100
AndPrivate Wealth Securites SA (**)	Panama	Investment advice	-
APC Servicios Administrativos SLU	Spain	Auxiliary services	-
Andbanc Wealth Management LLC	USA	Holding	-
Andbanc Advisory LLC	USA	Investment advice	-
Andbanc Brokerage LLC	USA	Investment advice	-
APW International Advisors Ltd. (**)	British Virgin Islands	Wealth management	100%
APW Consultores Financeiros, Lda	Brazil	Auxiliary services	100%
AND PB Financial Services, S.A	Uruguay	Representation office	100%
Andorra Capital Agrícola Reig BV	Holland	Special purpose vehicle	100%
Andbank (Panamá) S.A.	Panama	Bank	100%
And Private Wealth (Chile) (*)	Chile	Financial services	-
AB Systems, SAU	Andorra	Services	100%
AB Covered Bond	Ireland	Special purpose vehicle	100%
AB Financial Products, D.A.C.	Ireland	Special purpose vehicle	100%

(*) Liquidation completed on 15 January 2018

(**) Under liquidation

2017							
% Indirect ownership	Audited company	Interim dividend	Equity	Capital	Reserves	Unused prior years' profit (losses)	Profit/(loss)
-	No	-	31	32	6	(7)	(1)
-	No	-	(83)	30	3	(109)	(6)
-	No	-	16	30	95	(110)	1
-	Yes	1,701	2,019	1,000	1,419	-	1,301
-	Yes	1,600	38,909	21,500	17,044	-	1,965
-	Yes	-	12,764	1,000	34,835	(23,071)	-
100%	Yes	-	3,655	180	11,469	(7,968)	(26)
100%	Yes	-	(6,755)	551	3,419	(11,981)	1,256
-	Yes	90	2,906	2,404	481	-	111
100%	Yes	-	3,357	3,448	1	(112)	20
50%	Yes	-	816	520	14	129	152
100%	Yes	-	2,357	12	1	1,960	385
100%	Yes	-	4,714	3,000	118	1,595	2
-	Yes	-	44,422	54,100	9	(4,793)	(4,895)
-	Yes	-	204,220	75,000	126,372	1,363	1,691
100%	Yes	-	6,040	1,004	3,238	-	1,798
100%	Yes	-	563	54	1,732	(1,476)	253
-	Yes	-	30,274	21,000	5,718	2,951	605
-	Yes	-	123	13	-	28	81
-	Yes	-	38,046	39,633	2,237	(2,737)	(1,087)
100%	Yes	-	25,046	34,492	24	(8,314)	(1,156)
100%	No	-	80	214	-	142	(276)
100%	Yes	-	42	237	-	82	(277)
-	Yes	-	2,352	388	7,752	(4,904)	(884)
60%	Yes	-	248	0	2,854	(2,290)	(317)
60%	Yes	-	(1,393)	-	746	(1,599)	(541)
60%	Yes	-	554	168	673	(528)	240
42%	Yes	-	(1,113)	0	-	(872)	(241)
-	Yes	-	305	371	-	10	(76)
100%	Yes	-	642	642	-	-	-
100%	Yes	-	4,225	2,069	7	(2)	2,151
100%	Yes	-	(2,750)	11,023	-	(13,420)	(354)
100%	Yes	-	2,267	1,632	-	(79)	713
100%	Yes	-	1,104	2,347	-	(1,341)	98
-	Yes	-	23	10	-	14	-
-	Yes	-	245	1,322	-	(501)	(577)
-	Yes	-	132	162	-	(100)	70
-	Yes	-	322	18	-	225	79
-	Yes	4,174	14,741	6,655	991	6,538	4,732
100%	No	-	-	-	-	-	-
-	No	-	60	60	-	-	-
-	Yes	-	348	0	-	-	348
-	Yes	-	(284)	1	-	-	(285)



06

Gestão /
de risco

Gestão de riscos

Desenvolver um modelo robusto e eficiente de controle e gestão de risco tem sido uma prioridade para o grupo Andbank. O modelo abrangente de gestão de risco foi desenvolvido e reforçado em 2018 para garantir a cobertura de todos os riscos aos quais o grupo está exposto, propiciando uma gestão otimizada de seu capital. Os principais riscos aos quais o grupo está exposto no decorrer de suas atividades são:

- Risco de juros
- Risco de câmbio
- Risco de mercado
- Risco de crédito
- Risco de liquidez
- Risco operacional
- Risco reputacional
- Gestão de capital

A responsabilidade geral pelo monitoramento e controle contínuos de riscos é atribuída ao Chief Risk Officer (CRO) ou Diretor de Risco, que supervisiona os seguintes departamentos: Risco de Crédito, que gerencia e monitora o risco de crédito com os clientes; Controle de Risco Financeiro, que supervisiona o Risco de juros, risco cambial, risco de mercado, risco de contraparte, risco-país e risco de liquidez; Subsidiárias Controladora, que supervisiona as atividades das subsidiárias internacionais para garantir que elas operem dentro da estrutura regulatória relevante e que os requisitos de supervisão em cada jurisdição sejam atendidos; Risco Operacional, que supervisiona os riscos operacionais da entidade; e Gerenciamento de Capital. Como o gerenciamento de risco é uma função de toda a empresa, os responsáveis pelo controle de risco em cada entidade do grupo também se reportam funcionalmente ao CRO, que supervisiona suas atividades e garante que, além dos requisitos locais, padrões de controle consistentes sejam aplicados em todo o grupo.

O Departamento de Auditoria Interna atua como uma terceira linha de defesa para detectar e propor medidas corretivas para qualquer não-conformidade ou tomada de risco não autorizada que não tenha sido detectada e reportada pelos responsáveis pelo controle de risco regular em curso.

Para aprimorar cada vez mais a gestão avançada de riscos, em 2016, o grupo executou o Plano de Riscos Corporativos, que estabeleceu as bases para o desenvolvimento de um modelo abrangente de gestão de risco, alinhado às recomendações dos reguladores e às melhores práticas do mercado. Em 2017 e 2018, este plano entrou em vigor e o modelo abrangente de gestão de risco foi posto em prática no grupo Andbank.

Esse novo modelo de gestão e controle de risco baseia-se nas métricas e limites estabelecidos na estrutura de apetite ao

risco, que define a quantidade e os tipos de risco que a organização considera razoáveis adotar em sua estratégia de negócios.

O ambiente de controle existente ajuda a garantir que o perfil de risco seja mantido nos limites definidos pelo apetite ao risco, ao mesmo tempo em que se adapta a um ambiente regulatório cada vez mais rigoroso e abrangente.

O controle de risco efetivo se baseia nos seguintes elementos:

- Uma robusta estrutura de governança de risco administrada pelo Comitê de Risco, que atua como assessor do Conselho de Administração para questões de risco. Este comitê tem três diretores especializados, cuja tarefa é garantir a conformidade com os regulamentos e a aderência aos melhores padrões internacionais de controle e gerenciamento de risco.
- Estrutura corporativa de risco e política de capital, que estabelece os princípios básicos para gestão de todos os riscos aos quais a empresa está exposta. Essa estrutura garante que todas as subsidiárias do grupo tenham um modelo de gerenciamento e controle de risco consistente e alinhado com a estratégia geral do grupo.
- Independência da função de risco, garantindo a separação adequada entre as unidades geradoras de risco (primeira linha de defesa) e as unidades responsáveis pelo controle de risco (segunda linha de defesa).
- Supervisão e consolidação de riscos agregados.
- Uma cultura de risco que está completamente embutida na organização, compreendendo um conjunto de atitudes, valores, habilidades e diretrizes para lidar com todos os tipos de risco.

Os limites de risco são revisados periodicamente para adaptá-los à atual situação econômica e de mercado. Eles também são submetidos pelo menos uma vez por ano ao Conselho de Administração para aprovação.

Os limites de risco-país são atribuídos parcialmente com base em fatores relativamente estáticos, como membros de organismos internacionais (UE, OCDE) e ratings de crédito, e parcialmente com base em fatores dinâmicos (variáveis de mercado), como spreads de CDS. Ao atribuir limites de risco a instituições financeiras, fatores como notas de rating e capital de nível 1 são considerados, assim como indicadores de mercado, especialmente os preços de CDS. Essa metodologia permite que o grupo mantenha exposições de risco estáveis em países e contrapartes com boa qualidade de crédito, ao mesmo tempo em que ajusta rapidamente sua exposição a países e contrapartes com situação de crédito deteriorada.

O Comitê de Gestão de Ativos e Passivos (ALCO), como órgão responsável pelo gerenciamento da taxa de juros, taxas de câmbio, país, contraparte, liquidez e risco de mercado, se reúne mensalmente. A ALCO também é responsável pelo balanço e gestão de capital, com o objetivo de manter um alto nível de solvência para o grupo. A ALCO delega a supervisão desses riscos ao Departamento de Controle de Riscos Financeiros.

A responsabilidade por assegurar que a atividade de gestão de ativos seja realizada de acordo com a estrutura legal e regulatória estabelecida e avaliação dos resultados e riscos da atividade é atribuída ao Comitê de Monitoramento de Gestão, que se reúne mensalmente. Esse comitê delega o monitoramento da atividade de gestão de ativos ao Departamento de Controle de Riscos Financeiros. Além de verificar que os organismos e modelos de investimento observem o marco regulatório, o Controle de Riscos Financeiros também avalia o cumprimento da política de investimentos e monitora periodicamente as medidas de risco e retorno.

Nos últimos anos, o grupo Andbank adaptou a sua gestão de risco por conta dos eventos relacionados à crise financeira europeia, em particular as tensões decorrentes da dívida soberana periférica. Realiza revisões periódicas dos limites de risco, a fim de reduzir a exposição a países e contrapartes cujos ratings foram rebaixados ou cujos spreads se ampliaram. A gestão dinâmica do risco de contraparte e uma abordagem prudente à assunção de risco permitiram ao grupo manter um nível de risco moderado ao longo da crise financeira, de acordo com a sua política de risco.

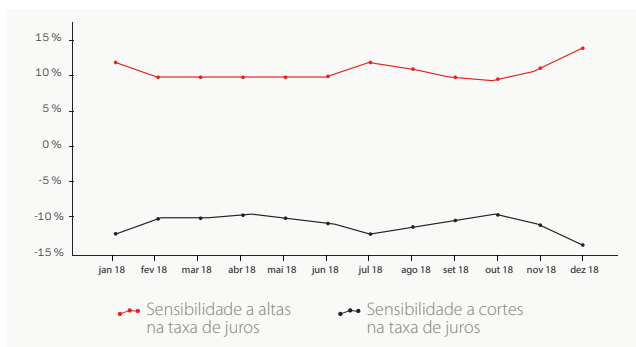
Risco de Juros

O risco de juros é definido como o impacto das flutuações da taxa de juros sobre o valor de mercado dos ativos e passivos do grupo. As medidas que o grupo usa para avaliar esse impacto são a sensibilidade da receita líquida de juros a desvios paralelos de 25 pontos-base na curva de juros no horizonte de um ano para as principais moedas do balanço patrimonial e a sensibilidade do valor de mercado do patrimônio líquido a 100 mudanças paralelas no ponto base da curva de juros.

No ambiente recorde de taxa de juros reduzida que predominou nos últimos anos, o grupo tem mantido exposição positiva a movimentos ascendentes na curva de juros. Em outras palavras, se as taxas de juros aumentassem, a receita líquida de juros do grupo aumentaria e vice-versa. A lacuna de reprecificação dos ativos e passivos do balanço patrimonial com taxa de juros é, portanto, positiva, ou seja, a reprecificação dos ativos geralmente precede a reprecificação do passivo. Este posicionamento reflete-se nos empréstimos a muito curto prazo no mercado

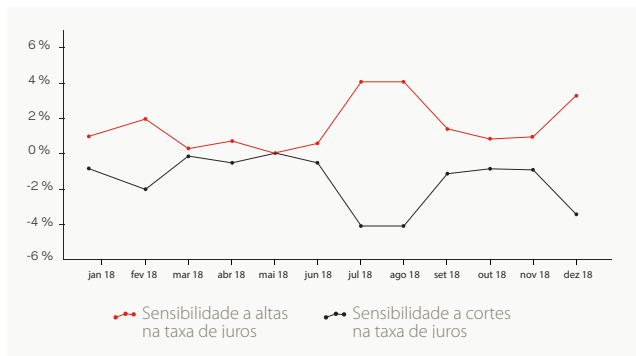
interbancário e na detenção de uma carteira de rendimento fixo investida principalmente em obrigações, com rendimentos ligados à Euribor a 3 ou 6 meses ou obrigações de taxa fixa de curto ou médio prazo (apesar do fato de que parte da carteira é composta por títulos prefixados de prazo mais longo, que geram margem adicional e aumentam a duração dos ativos do balanço patrimonial). Uma grande parte destas obrigações é financiada no mercado com operações de recompra de taxa fixa, que cobrem o risco de duração.

Sensibilidade da margem financeira em um ano



O limite para a sensibilidade do capital a mudanças paralelas de 100 pontos-base na curva de juros foi estabelecido pelo Conselho de Administração em 5%. Ao longo de 2018, como resultado da estratégia de taxa de juros adotada e do posicionamento do balanço, a sensibilidade da taxa de juros do patrimônio líquido do grupo foi positiva, mas permaneceu abaixo desse limite em todos os momentos.

Sensibilidade dos recursos próprios



Risco de Câmbio

O grupo define o risco de câmbio como o impacto dos movimentos da taxa de câmbio no valor de mercado dos ativos e passivos do grupo denominados em moedas diferentes do euro. As transações de câmbio à vista e a prazo são monitoradas diariamente para assegurar que as posições abertas em divisas permaneçam dentro dos limites autorizados.

As principais posições líquidas em moedas estrangeiras, expressas em euros, são as seguintes:

Milhares de euros		
Exposição à moeda estrangeira	2018	2017
USD	5,370	3,017
GBP	(20)	(40)
CHF	3,260	5,332
JPY	2	(163)

Risco de mercado

Risco de mercado é a perda potencial à qual a carteira de negociação está exposta em decorrência de mudanças nas condições de mercado, como preços de ativos, taxas de juros, curvas de crédito, volatilidade ou liquidez. A medida que o grupo utiliza para gerenciar o risco de mercado da carteira de negociação é Value at Risk (VaR), o padrão de mercado, bem como testes de estresse para o Hold TO Collect (HTC), Hold TO Collect and Sell (HTC&S) e carteiras de negociação.

O VaR é calculado usando-se o método histórico. O resultado do cálculo do VaR é a perda máxima esperada em um horizonte de investimento especificado com um determinado nível de confiança. O banco calcula o VaR para um horizonte de um dia com um nível de confiança de 99% para um período de um ano de observação. Durante o ano de 2018, o VaR médio da carteira de negociação foi de 364 mil euros, com um máximo de 1.313 mil euros e um mínimo de 82 mil euros, enquanto a posição média total na carteira de negociação foi de 315 milhões de euros. No geral, a carteira de negociação é composta por títulos com boa qualidade de crédito e duração muito curta, o que implica um VaR muito pequeno.

Milhares de euros				
31 de dezembro de 2018	VaR em 31/12/2018	VaR médio do período	VaR máximo do período	VaR mínimo do período
Risco de juros e spread	108	327	1,306	64
Risco de câmbio	-	-	-	-
Risco de renda variável	106	123	177	39
Risco de volatilidade / correlação	-	-	-	-
Efeito de diversificação	(63)	(86)	(155)	(29)
Total	151	364	1,313	82

O grupo aplica testes de estresse à carteira bancária para estimar a provável perda em situações extremas, caracterizada por aumentos acentuados na curva de juros ou uma ampliação dos spreads de crédito.

Esses testes envolvem a simulação de mudanças no valor de mercado dos ativos contábeis bancários em diferentes cenários.

Seis cenários são analisados, dos quais quatro são históricos (crise grega de 2010, Falência do Lehman Brothers em 2008, ataques terroristas às Torres Gêmeas em 2001 e a crise da dívida russa em 1998) e dois são hipotéticos (inclinação da curva de rendimento, achatamento dos spreads de crédito).

A tabela a seguir mostra o impacto dos cenários históricos sobre o valor da carteira de negociação e das carteiras HTC & S e HTC, mês a mês:

Mês	HTC&S + HTC				CARTEIRA PRÓPRIA			
	Crise da dívida grega	Crise da dívida russa	Lehman Brothers	Torres Gêmeas	Crise da dívida grega	Crise da dívida russa	Lehman Brothers	Torres Gêmeas
Janeiro	-2,91 %	-2,60 %	-2,35 %	-1,76 %	-0,52 %	-0,71 %	-0,32 %	-0,49 %
Fevereiro	-2,02 %	-2,32 %	-2,32 %	-1,59 %	-0,53 %	-0,55 %	0,06 %	-0,20 %
Março	-3,33 %	-2,99 %	-2,71 %	-2,01 %	-0,48 %	-0,49 %	-0,34 %	-0,16 %
Abril	-3,78 %	-3,40 %	-3,18 %	-2,28 %	-0,09 %	-0,13 %	-0,12 %	-0,10 %
Maiο	-4,22 %	-4,04 %	-3,57 %	-2,69 %	-0,08 %	-0,12 %	-0,28 %	-0,24 %
Junho	-5,19 %	-5,15 %	-4,24 %	-3,36 %	-0,11 %	-0,16 %	-0,34 %	-0,32 %
Julho	-4,82 %	-4,62 %	-4,10 %	-2,98 %	0,24 %	0,29 %	0,17 %	0,14 %
Agosto	-4,37 %	-4,17 %	-3,56 %	-2,74 %	0,29 %	0,36 %	0,13 %	0,13 %
Setembro	-4,88 %	-4,95 %	-4,19 %	-3,09 %	0,20 %	0,24 %	0,05 %	0,05 %
Outubro	-4,98 %	-5,17 %	-4,34 %	-3,32 %	0,09 %	0,12 %	0,10 %	0,07 %
Novembro	-5,12 %	-5,51 %	-4,47 %	-3,47 %	-0,87 %	-0,10 %	0,15 %	0,09 %
Dezembro	-9,42 %	-9,98 %	-7,34 %	-5,74 %	-0,58 %	-0,10 %	0,43 %	0,40 %

Risco de crédito

Risco de crédito é o risco de perda decorrente de falha de uma contraparte em honrar suas obrigações para com o grupo. A exposição ao risco de crédito do grupo inclui:

- O risco de inadimplência decorrente de operações comuns de tesouraria, que incluem basicamente empréstimos interbancários, empréstimos e empréstimos de títulos, operações compromissadas e operações com derivativos de balcão;
- O risco de inadimplência dos emissores de títulos mantidos na carteira própria;
- O risco de inadimplência em empréstimos.

Ao atribuir limites, o grupo segue uma política prudente e autoriza a exposição apenas a países com uma classificação de crédito elevada e, dentro desses países, apenas a instituições financeiras com risco de crédito moderado. Os limites de risco são aprovados pelo Conselho de Administração pelo menos uma vez por ano.

Os limites são mais rigorosos para exposições não garantidas. Nesses casos, a contraparte deve ter altas classificações de

crédito atribuídas pelas principais agências (Moody's, Fitch e S&P) e deve ser considerado um risco de crédito moderado, relativamente falando, conforme refletido no preço de mercado de seus CDSs de cinco anos comparado a um índice. A observação atenta dessa variável de mercado permite que o grupo inclua rapidamente qualquer alteração na qualidade de crédito de uma contraparte em seu modelo.

Em vários tipos de transações (principalmente transações em derivativos de balcão, operações de recompra e empréstimo e empréstimo de títulos), o grupo toma garantias para reduzir sua exposição ao risco. As exposições a contrapartes com as quais um contrato principal da ISDA foi celebrado são neutralizadas. O Andbank celebrou contratos ISDA, CSA e GMRA com várias contrapartes, de modo a diversificar as contrapartes disponíveis para as transações de derivativos, limitando ao mesmo tempo a sua exposição ao risco de contraparte. Também gerencia ativamente as garantias, monitorando as exposições dos contratos citados diariamente e realizando chamadas de margem (margin calls) para as contrapartes para as quais há uma exposição ao risco que precisa ser mitigada.

Em 2018, a carteira de renda fixa do grupo foi investida em ativos de alta qualidade, com 47,52% investidos em títulos soberanos e do setor público. O portfólio é diversificado principalmente entre os emissores nos Estados Unidos, França, Holanda, Espanha e Itália. Em 2018, como continuação da decisão corporativa de 2014 de investir em dívida soberana dos EUA (classificação AAA), parte da carteira permaneceu investida nesses ativos, dado o diferencial com as taxas de juros dos EUA e o objetivo de se beneficiar do fluxo de caixa denominado em USD do balanço patrimonial.

A carteira de rendimento fixo é composta, por um lado, de títulos em que o grupo tem uma exposição direta ao risco do emissor ou do avalista, a maioria dos quais possui uma notação de investimento; e, por outro, de títulos usados para cobrir depósitos estruturados de clientes, que o grupo mantém em seu balanço, mas cujo risco foi transferido aos clientes. Segue abaixo a composição da carteira de renda fixa por rating de crédito de emissor (em milhares de euros):

Rating	Com exposição ao risco do emissor e/ou avalista	Com transferência do risco ao cliente	Total
AAA	119.410	-	119.410
AA+ a AA-	69.167	-	69.167
A+ a-	226.847	-	226.847
BBB+ a BBB-	328.512	-	328.512
Grau de Investimento	743.936	-	743.936
BB+ a BB-	9.518	-	9.518
B+	198	-	198
Grau Especulativo	9.716	-	9.716
N/A	1.541	-	1.541
Total	755.193	-	755.193

No que concerne à exposição ao risco de crédito nas transações com clientes, o grupo tem empréstimos e recebíveis no total de 1.515 milhões de euros, principalmente em linhas de crédito e empréstimos, dos quais uma grande parte é garantida por hipoteca (615 milhões de euros) ou penhor de garantias (719 milhões de euros).

As principais ferramentas de gestão de risco de crédito são as políticas e autoridades de aprovação de crédito, o monitoramento dos níveis de exposição e a supervisão regular do comitê (Comitê de Risco Irregular e Comitê Executivo). As concentrações de risco de crédito são revisadas pelo menos semanalmente e são monitoradas para garantir que permaneçam dentro dos parâmetros definidos pelo supervisor, especificando os níveis máximos de empréstimos para determinados grupos de clientes. A responsabilidade pela gestão e controle de risco de crédito do cliente é do Departamento de Risco de Crédito.

Ao mesmo tempo, os pagamentos em atraso são monitorados para cada produto, para que as políticas e autoridades de aprovação de crédito possam ser ajustadas de acordo. As decisões de empréstimo são específicas da transação. Os níveis de risco são monitorados com base na análise de variáveis qualitativas e quantitativas, adaptadas aos requisitos

do supervisor. O índice de inadimplência do grupo é de 3,65%, abaixo da média das instituições financeiras de países vizinhos. Em 2018, o grupo manteve uma política conservadora de provisionamento, o que resultou em provisões totais para perdas com créditos maiores do que o volume de empréstimos inadimplentes.

Risco de crédito é o risco de perda decorrente de descumprimento por um cliente ou contraparte de suas obrigações contratuais com o grupo.

A principal estratégia de negócios do grupo Andbank está focada nas atividades de private banking, com uma ampla e diversificada base de clientes e uma baixa concentração de recursos de clientes. A Companhia também opera no segmento de varejo bancário exclusivamente para o mercado andorrano, oferecendo empréstimos a particulares e pequenas e médias empresas no Principado.

Para otimizar o gerenciamento do risco de crédito e integrá-lo à estrutura geral de gestão de risco, para obter retornos que correspondam ao nível de risco assumido, o grupo definiu princípios básicos comuns que garantem que a gestão de risco de crédito esteja alinhada ao plano de negócios e apetite ao risco do banco, assim como sua observância dos requisitos regulatórios.

A gestão do risco de crédito é baseada em um modelo organizacional e de governança sólido, no qual o Conselho de Administração e os diversos comitês de risco desempenham um papel, definindo políticas e procedimentos de risco, limites e poderes delegados, além de aprovar e supervisionar as atividades de risco de crédito.

O Comitê de Empréstimos é o órgão responsável pela supervisão e controle do risco de crédito do grupo. Sua finalidade é controlar efetivamente o risco de crédito e assessorar o Comitê Executivo, de modo a assegurar que o risco de crédito seja gerenciado de acordo com os níveis de apetite ao risco aprovados.

O ciclo completo de gestão de risco abrange todo o ciclo de vida de cada transação, desde o estudo inicial de viabilidade até a aprovação de crédito de acordo com os critérios estabelecidos até o monitoramento dos empréstimos em aberto e, quando aplicável, a recuperação de ativos deteriorados.

Análise e aprovação de transações

O processo de análise e aprovação de empréstimos e linhas de crédito envolve um estudo rigoroso da capacidade de pagamento do cliente e a natureza, liquidez e qualidade da segurança fornecida.

Esse processo deve levar em conta os critérios de aprovação estabelecidos na política de risco de crédito e as regras de delegação de autoridade com base nos poderes atribuídos aos diferentes órgãos sociais, dependendo do tipo de produto, valor e prazo de vencimento.

Para mitigar sua exposição ao risco, o grupo também definiu um modelo que define os limites e facilidades autorizadas para cada contraparte. Este modelo é aprovado pelo Conselho de Administração e é revisado no mínimo anualmente. Todas as novas transações devem cumprir esses limites e o valor dos limites que foram usados é monitorado em base permanente.

Este processo de análise e aprovação compreende os seguintes estágios:

- Proposta: o gestor apresenta a transação juntamente com uma análise de qualidade de crédito, posições, solvência e retornos do cliente, de acordo com o risco assumido
- Análise da operação: o departamento de risco de crédito revisa a proposta, verificando se as informações contidas na mesma estão devidamente documentadas e se são precisas e acessíveis, para que a transação possa ser aprovada
- Aprovação: após analisar a transação, o departamento de risco de crédito irá aprová-la com base nas políticas de concessão estabelecidas e limites de apetite por risco, a fim de equilibrar risco e retorno.
- Notificação: um aviso de aprovação é emitido e assinado, e as funções envolvidas são informadas para que possam ser registradas corretamente nos sistemas do Banco.

Monitoramento:

Os clientes e as transações são monitorados, analisando-se todos os fatores que podem afetar sua qualidade de crédito, a fim de permitir a detecção antecipada de possíveis incidentes, de modo que possam ser tomadas medidas para mitigá-los ou resolvê-los.

Os clientes ou transações que exigem uma revisão mais aprofundada ou um monitoramento mais próximo, seja porque sua qualidade de crédito se deteriorou ou devido à natureza ou montante de sua dívida, são assim identificados.

O cumprimento dos limites de crédito aprovados e o uso de instalações com garantias dadas também são monitorados e controlados diariamente. No fechamento do mercado, todas as exposições são recalculadas com base nas entradas e saídas de crédito, mudanças nos recebíveis e nos mecanismos de mitigação de risco estabelecidos. As exposições estão, portanto, sujeitas a monitoramento e controle diários em relação aos limites aprovados.

Recuperação

A recuperação de crédito é uma importante função de gerenciamento de risco de crédito. Abrange as estratégias e ações necessárias para garantir que os empréstimos inadimplentes sejam atualizados ou recuperados no menor tempo e com o menor custo possível.

Essa função é executada pelo departamento de cobrança e recuperação. Esse departamento trabalha diretamente com os clientes e agrega valor por meio da cobrança eficiente, seja por meio de pagamentos atualizados ou da recuperação de todo o empréstimo.

O sistema de gestão de recuperação requer uma coordenação eficaz entre os departamentos (Vendas, Risco e Jurídico) e está sujeita à revisão contínua dos processos e metodologias de gestão, que devem ser adaptados às mudanças na legislação e às melhores práticas do setor.

Risco de liquidez

Risco de liquidez é o risco de que, a qualquer momento, o grupo não ser capaz de cumprir suas obrigações de pagamento, seja decorrente do vencimento dos depósitos, levantamento de linhas de crédito comprometidas ou chamadas de margem em transações garantidas, entre outras coisas.

ALCO administra o risco de liquidez de modo a assegurar que esteja disponível liquidez suficiente para liquidar passivos, retendo ao mesmo tempo liquidez suficiente para explorar quaisquer oportunidades de investimento que possam surgir.

A liquidez é administrada por meio da análise do balanço em termos de vencimentos contratuais. O banco possui ferramentas de TI para distribuir corretamente os vencimentos de seus ativos e passivos ao longo do tempo, de modo a poder analisar os fluxos de caixa futuros de recebimentos e pagamentos e, assim, antecipar possíveis deficiências.

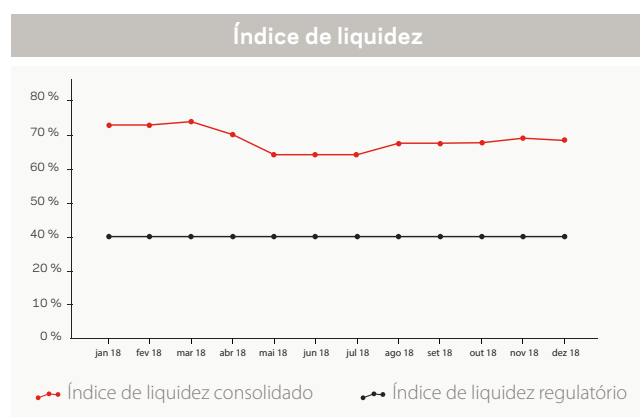
A maior parte do financiamento provém de depósitos de clientes, embora o mercado interbancário seja também uma importante fonte de financiamento, principalmente através de operações de recompra.

A tabela a seguir mostra os ativos e passivos classificados por vencimento. Parte de certos itens, como contas correntes, é considerada sem vencimento contratual. Os outros itens são distribuídos entre os diferentes intervalos de vencimento com base em uma revisão histórica de sua volatilidade, seu montante e a natureza dos contratos.

Milhares de euros							
31 de dezembro de 2108	Até um mês	Mais de um mês e até três meses	Mais de um mês e até um ano	Mais de um ano e até cinco anos	Mais de cinco anos	N/A	Saldo total
Todos os rendimentos de caixa e no banco central e outros depósitos à vista	1.159.084	4.046	15.263	88.530	156.823	9.648	1.433.394
Ativos financeiros	59.359	63.737	64.636	314.682	251.513	104.147	858.074
Empréstimos e contas a receber	246.866	131.112	486.354	417.015	473.157	(55.171)	1.699.333
5.2.- Empréstimos e créditos a empresas	148.778	20	-	474	91.955	422	241.648
5.3.- Créditos a clientes	98.088	131.092	486.354	416.541	381.202	(55.593)	1.457.685
Instrumentos derivativos de cobertura	-	-	-	-	-	-	-
Investimentos em subsidiárias, empreendimentos conjuntos e associados	-	-	-	-	-	2.978	2.978
Outros ativos	-	-	-	-	-	449.207	449.207
Ativos Totais	1.465.309	198.895	566.253	820.227	881.493	510.809	4.442.986
Passivos financeiros detidos para negociação	-	-	-	-	-	66.227	66.227
Passivos financeiros designados a valor justo com mudança nos resultados	-	-	-	-	-	-	-
Passivos financeiros a custo amortizado	795.768	133.117	377.460	824.586	1.115.275	481.605	3.727.811
3.1.- Depósitos bancos centrais	47.614	12.000	210	-	-	-	59.824
3.2.- Depósitos bancos	255.043	719	5.002	136.322	130.446	11.512	539.044
3.3.- Depósitos clientes	492.612	118.723	359.551	310.711	905.746	455.684	2.643.027
3.3.1.- À vista	391.621	61.346	146.095	245.862	905.746	417.593	2.168.263
3.3.2.- A prazo	100.991	57.377	213.456	64.849	-	35.684	472.357
3.3.3.- Juros devidos	-	-	-	-	-	2.407	2.407
3.3.4.- Outros passivos financeiros	-	-	-	-	-	-	-
3.4.- Valores emitidos representativos de dívida	499	1.675	12.697	377.553	79.083	1.110	472.617
3.5.- Outros passivos financeiros	-	-	-	-	-	13.299	13.299
Instrumentos derivativos de cobertura	-	-	-	-	-	7.322	7.322
Passivos utilizados para contratos de seguro	-	-	-	-	-	262	262
Outros ativos	-	-	-	-	-	124.720	124.720
Passivos Totais	795.768	133.117	377.460	824.586	1.115.275	680.136	3.926.342
Patrimônio	-	-	-	-	35.000	481.644	516.644
Passivos Totais + Patrimônio Líquido	795.768	133.117	377.460	824.586	1.150.275	1.161.780	4.442.986
DIFERENÇA SIMPLES	670.407	65.777	188.792	(4.359)	(268.783)	(651.835)	-
DIFERENÇA CUMULATIVA	670.407	736.184	924.976	920.617	651.835	-	-

O Departamento de Controle de Riscos Financeiros monitora diariamente a posição de liquidez do grupo, verificando se permanece acima do nível mínimo estabelecido pelo ALCO. Durante o ano de 2018, o nível mínimo era de 350 milhões de euros em numerário e operações overnight, além de um adicional de 500 milhões de euros em numerário e posições de elevada liquidez até um ano. Esse controle inclui o monitoramento diário de posições que podem ser financiadas com acordos de recompra e a carteira líquida.

O índice de liquidez estipulado pelo INAF, o supervisor bancário andorrano, é calculado mensalmente. Esse índice compara ativos líquidos e semilíquidos com passivos com vencimento no curto prazo. O INAF exige um índice mínimo de liquidez de 40%, ou seja, as entidades devem ter ativos líquidos ou semilíquidos equivalentes a 40% do montante total do financiamento recebido que seja reembolsável à vista ou no curto prazo. O índice de liquidez do grupo ficou em média em 68,26% em 2018 e encerrou o ano em 66,61%.



Para atender aos padrões internacionais, o grupo Andbank calcula e usa o índice de cobertura de liquidez (LCR). O LCR é definido pelo Comitê de Basileia de Supervisão Bancária e compara a quantidade de ativos de alta liquidez disponíveis com entradas líquidas de caixa (saídas) nos próximos 30 dias. Os níveis e o cronograma de conformidade são os seguintes:

	2016	2017	2018	2019
LCR mínima	70 %	80 %	90 %	100 %

LCR Andbank	360 %
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O LCR do grupo Andbank no final de 2018 foi de 360%, excedendo facilmente o limite exigido pelos regulamentos.

Em base mensal, desde o início da crise financeira internacional, o grupo vem elaborando um plano de contingência, no qual avalia o financiamento contingente com base nos diferentes níveis de uso de seus ativos líquidos e nas fontes de financiamento disponíveis, levando em conta o custo de geração de liquidez. Os ativos prontamente conversíveis e as fontes de liquidez gerenciáveis são então classificados, dando prioridade ao uso de fontes de liquidez com baixo impacto na demonstração de resultados e postergando o uso daquelas que teriam um forte impacto negativo. Os cenários

potenciais de saída de liquidez, sejam eles resultantes de atividades de clientes ou atividades nos mercados financeiros, também são identificados e classificados em dois grupos (prováveis e improváveis), de acordo com a probabilidade de sua ocorrência. Por fim, a liquidez que poderia ser gerada é comparada com as saídas potenciais para determinar se o superávit excede o nível de liquidez mínimo aprovado.

Risco operacional

O Grupo define o risco operacional, de acordo com as diretrizes do Comitê de Basileia, como o risco de perdas decorrentes de problemas ou erros nos processos internos, ações humanas, sistemas internos ou eventos externos.

O risco operacional é inerente a todas as atividades, produtos, sistemas e processos, e suas origens são diversas (processos, fraudes internas e externas, tecnologia, recursos humanos, práticas de negócios, desastres, fornecedores). Consequentemente, o grupo considera importante garantir que a gestão do risco operacional seja integrada à estrutura de gestão do risco global do banco, de forma ativa.

O principal objetivo do Banco em relação ao risco operacional é identificar, avaliar, controlar e monitorar todos os eventos possíveis que impliquem um foco de risco, com ou sem perdas econômicas, com a finalidade de adotar as melhores medidas para a mitigação do risco.

O Departamento de Risco Operacional tem como principal objetivo desenvolver uma estrutura avançada para a gestão de risco operacional, ajudando a reduzir a exposição futura e as perdas que podem afetar os resultados. Suas principais responsabilidades são:

- Promover o desenvolvimento de uma cultura de risco operacional em todo o grupo, envolvendo todas as funções do negócio na gestão e controle do mesmo.
- Projetar e implementar uma estrutura para a gestão e controle do risco operacional para garantir que todos os eventos passíveis de gerar risco operacional sejam identificados e gerenciados adequadamente.
- Garantir o desenho, manutenção e implementação corretos do órgão regulador relacionado ao risco operacional.
- Monitorar os limites de risco operacional estabelecidos, garantindo a manutenção do perfil de risco dentro dos níveis estabelecidos no apetite de risco da entidade.
- Supervisionar a gestão e controle do risco operacional nas diferentes áreas de negócio e suporte.
- Assegurar que a Diretoria Corporativa e o Conselho de Administração obtenham uma perspectiva global de todos os riscos relevantes, garantindo a comunicação do perfil de risco operacional.

As principais ferramentas usadas para gerenciar o risco operacional dentro do grupo são:

- Um banco de dados de incidentes, que captura e registra todos os eventos de risco operacional nas subsidiárias do grupo. Os eventos mais significativos em cada subsidiária e no grupo como um todo são revisados e documentados com detalhes específicos.

- Um mapa de riscos e controles, que identifica todos os riscos associados às operações rotineiras do banco, bem como as pessoas responsáveis e os controles em vigor. O objetivo é definir medidas de mitigação e planos de ação para reduzir a exposição ao risco.
- A autoavaliação anual de risco e controle (RCSA), que serve para identificar pontos críticos e avaliar a qualidade da gestão de riscos, de modo a poder melhorá-lo e fortalecê-lo.
- Principais indicadores de risco (KRIs), que podem ser analisados e monitorados para avaliar o grau de controle operacional e, assim, gerenciar os riscos de forma proativa.

A governança do risco operacional e a metodologia para análise do risco operacional são desenvolvidas de acordo com as diretrizes do Comitê de Basileia.

Risco reputacional

O grupo Andbank define risco reputacional como o risco de que percepções negativas do banco afetem adversamente seus resultados ou as perspectivas de seus negócios. Inclui aspectos legais, econômicos, financeiros, éticos, sociais e ambientais, entre outras coisas.

Vários departamentos diferentes do grupo estão envolvidos na gestão de risco reputacional, incluindo Compliance, Jurídico, Auditoria Interna, Qualidade e Controle de Risco Financeiro.

Conformidade regulatória

O cumprimento dos regulamentos aplicáveis de combate à lavagem de dinheiro e serviços de investimento é um imperativo absoluto para o Andbank. O banco, portanto, tomou medidas para gerenciar a conformidade regulatória e o risco reputacional. O risco de conformidade regulatória é o risco de incorrer em multas ou perdas financeiras, materiais ou reputacionais como resultado da não-conformidade com leis e regulamentos aplicáveis ou com os procedimentos internos do próprio banco. Está, por conseguinte, estreitamente ligada ao risco reputacional, que está associado a percepções negativas do grupo Andbank por parte do público em geral ou das partes interessadas (clientes, contrapartes, empregados, reguladores) decorrentes de má conduta por parte do banco.

O Andbank considera sua imagem pública seu ativo mais valioso para reter a confiança de clientes, reguladores, acionistas e investidores.

O Andbank tem uma função de compliance, alinhada com os seus objetivos estratégicos, que atua independentemente das áreas de negócio do grupo e é composta por profissionais especializados nas diferentes jurisdições em que o grupo está presente. O banco dedica recursos consideráveis ao desenvolvimento contínuo de seu capital humano e recursos técnicos, de modo a ter um sistema de controle e gerenciamento de risco de conformidade que esteja sempre atualizado.

Tendo em mente os objetivos acima mencionados, várias políticas para toda a empresa foram concebidas e aprovadas pelo Conselho

de Administração e são regularmente revisadas para adaptá-las às mudanças nas atividades do Andbank. Essas políticas corporativas aplicam-se a todo o grupo, juntamente com um conjunto de controles internos para a gestão do risco regulatório e risco reputacional.

O banco também criou um Comitê de Ética e Conformidade Regulamentar, dentro do Conselho de Administração, para monitorar e supervisionar a adequação e propriedade do modelo de conformidade regulatória para todo o grupo Andbank.

Os principais pilares que sustentam a gestão de risco de conformidade e risco reputacional da Andbank são os seguintes:

Normas Éticas e regras de conduta

O Andbank toma medidas para promover a conduta ética de todos os colaboradores do Grupo. O Andbank entende que o cliente é a prioridade do Banco e que qualquer atividade que possa criar risco reputacional é inaceitável.

O Banco possui um Código de Ética que define estritos padrões de conduta por parte de todos os colaboradores, gestores seniores e diretores, que devem agir de forma responsável no desempenho de suas funções. Há um canal seguro que os funcionários podem usar para solucionar questões e relatar atividades que possam violar os padrões de conduta do Banco.

Prevenção à lavagem de dinheiro e financiamento do terrorismo

O Andbank está ativamente comprometido com o combate à lavagem de dinheiro, financiamento do terrorismo e outros crimes financeiros. A implementação eficaz de procedimentos e regras baseadas no conceito “Conheça o Seu Cliente” (KYC) é fundamental para o Grupo.

O conceito KYC significa conhecer detalhadamente os indivíduos e entidades com os quais o Grupo se relaciona (seja por meio de uma única transação ou de uma relação comercial duradoura) ou aos quais o Banco oferece seus serviços, bem como saber quem são os beneficiários finais e quaisquer partes envolvidas. O KYC é um processo contínuo que começa com a aprovação do cliente e dura enquanto houver um relacionamento comercial entre as partes. Um processo similar Conheça seu Funcionário (KYE) é utilizado no recrutamento de novos funcionários.

No segmento de private banking, o Banco utiliza um modelo global de combate à lavagem de dinheiro baseado nas diretrizes da EU e adaptado conforme necessário às características específicas de cada subsidiária e suas regulamentações locais. Este modelo evolui constantemente para se adaptar às mudanças regulatórias.

O Andbank aplica, portanto, diversas medidas mais rigorosas ao aceitar e monitorar as operações dos clientes. Cada cliente é classificado de acordo com seu risco potencial, com base nas informações fornecidas pelo cliente e pelos dados obtidos pelo Banco, de acordo com os padrões internacionais (como país de origem, residência ou atividade comercial).

Andbank investe em novas tecnologias e usa técnicas de última geração para detectar padrões de comportamento suspeitos e transações que podem estar ligadas à lavagem de dinheiro ou ao financiamento do terrorismo.

A função de Compliance ou Conformidade realiza uma revisão independente para fornecer as garantias necessárias quando uma nova conta é aberta. Este processo não se limita a novos clientes, no entanto todos os clientes devem ser monitorados continuamente para garantir que o banco tenha as informações necessárias para detectar transações ilegais.

Com o objetivo de padronizar e reforçar o controle sobre os possíveis riscos de conformidade, a função de Compliance elaborou um manual de procedimentos que especifica as atividades de gestão de risco, atualizadas de acordo com a legislação local e os padrões internacionais.

Para fortalecer a boa governança nesta área, que é fundamental para qualquer instituição financeira, o Andbank criou vários comitês, nos quais a alta direção da empresa participa. Esses comitês revisam as decisões para aceitar clientes particularmente sensíveis, monitorar as medidas tomadas pelo Departamento de Compliance e tomar quaisquer outras decisões necessárias para atingir os objetivos acima mencionados.

Proteção ao Investidor

O compromisso do Grupo para com os seus clientes possui dois aspectos fundamentais - a criação de valor a longo prazo e a garantia de máxima transparência. Dessa forma, o Grupo estabeleceu políticas e procedimentos globais adaptados às características individuais de cada área na qual atua, para garantir o cumprimento de suas exigências regulatórias.

O modelo do Andbank para mitigar o risco de conformidade e o risco reputacional inclui:

- Estrutura organizacional baseada no gerenciamento de risco.
- Atribuição de deveres e responsabilidades dentro da organização.
- Políticas e procedimentos transparentes para os clientes.
- Regras de conduta aprimoradas para maior proteção ao investidor.
- Procedimento para distribuição de produtos financeiros com base na classificação de serviços, tipo de cliente e produtos oferecidos.
- Revisão contínua do modelo de controle em resposta a mudanças decorrentes da nova legislação.

O Grupo garante, portanto, que:

- Os serviços financeiros sejam ajustados às necessidades dos clientes.
- Exista uma relação bilateral transparente, com direitos e obrigações de ambas as partes.
- As reclamações dos clientes sejam resolvidas de forma justa.

CRS (Padrão Comum de Relatório)

O CRS é um padrão para a troca automática de informações

financeiras entre jurisdições que permite que as autoridades fiscais dos países participantes obtenham, anualmente, informações sobre os investimentos e contas de residentes fiscais em instituições financeiras no exterior (ou seja, em países nos quais eles não são residentes para fins fiscais).

O Principado de Andorra aprovou a Lei n.º 9/2016, de 30 de novembro, relativa à troca automática de informações fiscais, adotando os princípios estabelecidos pela OCDE para a Norma Comum de Relatório e incluídos na Convenção sobre Assistência Administrativa Mútua (CMAA) em Matéria Fiscal relativa às informações automáticas. O intercâmbio de informações fiscais entre as autoridades competentes dos países membros. O texto desta lei foi publicado no site do Diário Oficial do Principado de Andorra (BOPA) (www.bopa.ad).

Nos termos desta lei, as instituições financeiras são legalmente obrigadas a comunicar determinadas informações pessoais e fiscais relativas a contas detidas por clientes não residentes à autoridade competente (no Principado de Andorra, no Departamento de Impostos e Fronteiras).

Gestão do conhecimento e treinamento

O grupo investe em treinamento para garantir que todos os funcionários estejam cientes dos requisitos das leis e regulamentações atuais e das políticas e procedimentos adotados pelo banco.

A cada ano, o grupo elabora um plano de treinamento para cada jurisdição, que é realizado pelo próprio grupo ou por provedores externos, seja na sala de aula ou on-line. Promover uma cultura de conformidade em toda a organização é vital para a gestão eficaz dos riscos de conformidade.

Os planos anuais de treinamento incluem cursos sobre legislação tributária, anti-lavagem de dinheiro, financiamento antiterrorista e proteção ao investidor, adaptados ao nível e às necessidades dos participantes do curso.

Incidentes e reclamações

O Andbank coloca os interesses dos seus clientes em primeiro lugar em todos os momentos; dessa forma, suas opiniões ou possíveis reclamações são sempre ouvidas e consideradas. O Departamento de Qualidade gerencia o recebimento de todos os relatórios de incidentes enviados pelos clientes ao banco através dos vários canais disponíveis aos mesmos. A missão do departamento é resolver os incidentes rapidamente e direcionar as mudanças necessárias nas políticas e procedimentos para evitar qualquer recorrência.

Gestão de capital

O Conselho Geral (Parlamento) do Principado de Andorra, em sua reunião de 29 de fevereiro de 1996, aprovou a Lei de Regulamentação dos Critérios de Solvência e Liquidez das Entidades Financeiras.

Esta lei obriga os bancos a manter um índice de solvência formulado com base nas recomendações do Comitê da Basileia de Supervisão Bancária de pelo menos 10%, determinado por

um coeficiente que relaciona os recursos próprios ajustados aos ativos de risco ponderado de acordo com o grau de risco desses ativos. Da mesma forma, requer manter um índice de liquidez de pelo menos 40%.

Os índices de solvência e liquidez, apurados de acordo com esta lei, em 31 de dezembro de 2018 eram de 22,31% e 66,60%, respectivamente (24,57% e 75,80% em 31 de dezembro de 2017).

A Lei de Regulamentação dos Critérios de Solvência e Liquidez das Entidades Financeiras limita, adicionalmente, a concentração de riscos em favor do mesmo beneficiário a 20% dos fundos próprios da entidade bancária. Por outro lado, a referida lei estabelece que a acumulação de riscos que excedam individualmente 5% dos fundos próprios não pode exceder o limite de 400% dos fundos próprios acima referidos. Da mesma forma, o risco mantido com membros do Conselho de Administração não pode exceder 15% dos fundos próprios. Os riscos mencionados são ponderados de acordo com o estabelecido nesta lei.

Durante os exercícios de 2018 e 2017, o banco cumpriu os requisitos contidos nesta lei. A concentração máxima de risco alcançada a favor do mesmo beneficiário foi de 12,84% dos fundos próprios (10,95% no exercício de 2017). Os empréstimos, ou outras operações que envolvam risco a favor do mesmo beneficiário, que excedam 5% dos fundos próprios, não excederam de forma agregada uma acumulação de riscos de 112,52% (81,74% no exercício de 2017).

No processo de normalização do quadro legislativo ao acervo comunitário europeu e, em particular, em matéria de legislação prudencial, o Conselho Geral (Parlamento) do Principado de Andorra, na sua sessão de 20 de dezembro de 2018, aprovou a Lei 35/2018 de Solvência, Liquidez e Supervisão Prudencial de Entidades Bancárias e Sociedades de Investimento. Esta lei, juntamente com o desenvolvimento de um regulamento, visa dar cobertura ao pacote regulatório europeu CRD IV, constituído pelo Regulamento da UE n. 575/2013 e pela Diretiva 2013/36 / UE.

Esta lei, que entrará em vigor em 24 de janeiro de 2019, revoga a Lei que regulamenta os Critérios de Solvência e Liquidez das Instituições Financeiras, de 29 de fevereiro de 1996.

A nova lei exige que os bancos mantenham um índice de capital mínimo de Nível 1 (TEC 1) de 4,5%, um índice de capital de Nível 1 (TIER 1) de pelo menos 6% e um índice de capital total de 8%. Em 31 de dezembro de 2018, o Andbank está bem acima desses índices mínimos. Neste ambiente regulatório, os índices de capital do Andbank em 31 de dezembro de 2018 são:

	Global	Progressivo
Índice CET 1	13,09 %	14,39 %
Índice TIER 1	15,76 %	16,98 %
Índice capital total	15,79 %	17,01 %

Índice de alavancagem

Neste enquadramento regulatório, o Grupo Andbank está em posição de destaque, com um índice de alavancagem de 6,72% ao final do exercício de 2018.



07

Relatório de
Responsabilidade
Social Corporativa 2018

Relatório de Responsabilidade Social Corporativa 2018

1. Introdução

Como uma instituição comprometida com seus stakeholders e com a sociedade em geral, o Andbank trabalha para garantir um crescimento significativo e sustentável na busca de um objetivo que compartilhe com outras instituições, a saber: "satisfazer as necessidades atuais sem comprometer a capacidade das futuras gerações de satisfazer as suas necessidades". A responsabilidade social corporativa do Andbank está focada na ideia conduzir seus negócios com ética e responsabilidade, honrando seu compromisso para com a sociedade e contribuindo com soluções que melhorem o bem-estar de todos.

Como instituição, buscamos ser socialmente responsáveis por meio de ações éticas coesas, e estamos cientes de que em todas as decisões e ações corporativas devemos considerar os três pilares da sustentabilidade: progresso econômico, progresso social e progresso ambiental. Estamos convencidos de que a principal responsabilidade de uma empresa é criar riqueza de forma honesta e sustentável.

O compromisso da Andbank implica um relacionamento muito direto e atencioso com todas as pessoas que pertencem à empresa. Requer consenso entre todas as partes envolvidas, bem como políticas de comunicação inovadoras para fomentar a consulta e a participação na tomada de decisões em todas as áreas da empresa, promovendo a corresponsabilidade entre os diferentes níveis da organização e fortalecendo a confiança no setor empresarial de Andorra.

Para implementar todos esses compromissos, o Andbank tem um conjunto de políticas e procedimentos internos e um código de conduta, cobrindo toda a atividade do grupo, projetado para garantir que todos os membros da organização ajam de forma ética e responsável.

Em seu relacionamento e engajamento com a sociedade em geral, e em Andorra em particular, o Andbank procura atuar de forma a agregar valor para os membros da sociedade, sempre visando a excelência e o melhor atendimento ao cliente.

O objetivo do relatório anual do grupo Andbank é informar a todas as partes interessadas e à sociedade em geral as atividades que o grupo realizou em 2018 a nível econômico, social e ambiental.

Nossos valores

Todas as iniciativas voltadas para a gestão de talentos são baseadas nos valores do Andbank, os quais permeiam nossa cultura e o DNA de nossa empresa.

Com transparência e honestidade, criatividade e empreendedorismo, respeito individual, meritocracia e profissionalismo, no Andbank promovemos uma cultura centrada no nosso compromisso com o cliente, de forma a proporcionar o mais alto nível de consultoria e serviços.

Essa cultura também oferece oportunidades de crescimento e desenvolvimento à equipe de profissionais do Andbank, tanto a nível pessoal quanto profissional, além de incentivá-los e reconhecer seu desenvolvimento contínuo.

▪ **O cliente sempre em primeiro lugar**

Estamos sempre comprometidos em prover ao cliente o melhor serviço e assessoria.

▪ **Respeito ao indivíduo**

Nossas relações pessoais e profissionais são baseadas em confiança e respeito mútuos. Promovemos reconhecimento, integridade moral e respeito aos outros.

▪ **Meritocracia e profissionalismo**

O desenvolvimento e a promoção profissionais são baseados em mérito e contribuição profissional.

▪ **Criatividade e espírito empreendedor**

Apreciamos os profissionais que trazem novas ideias para aprimorar produtos, processos e serviços. Valorizamos os profissionais que propõem ações que possam oferecer melhores serviços e novas oportunidades aos nossos clientes.

▪ **Transparência e honestidade**

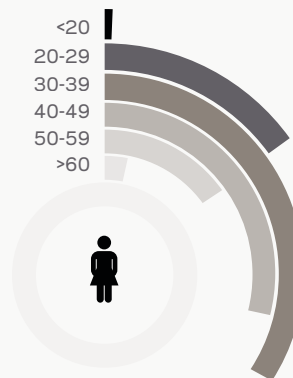
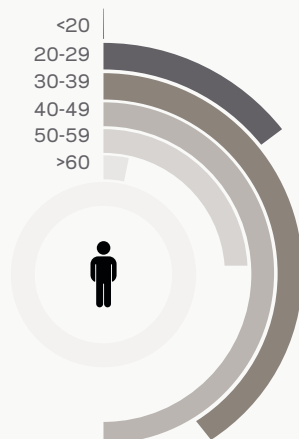
Esperamos que nossos funcionários atuem com honestidade, transparência e integridade

2. Equipe do Andbank

O grupo Andbank encerrou o ano com uma equipe de 1.051 colaboradores. Desse total, 330 pessoas trabalham na sede corporativa em Andorra, e 721 nas várias subsidiárias internacionais do grupo.

Idade, sexo e antiguidade

	HOMBRES		MUJERES		TOTAL	
	2018	2017	2018	2017	2018	2017
Pessoas	599	657	452	502	1.051	1.159
Média de Idade	41,63	41,66	39,86	39,53	40,88	40,73
Média de Antiguidade	6,81	6,46	7,05	6,65	6,91	6,54

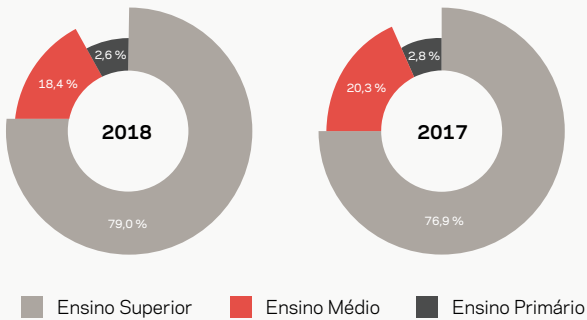


Características da equipe do Andbank

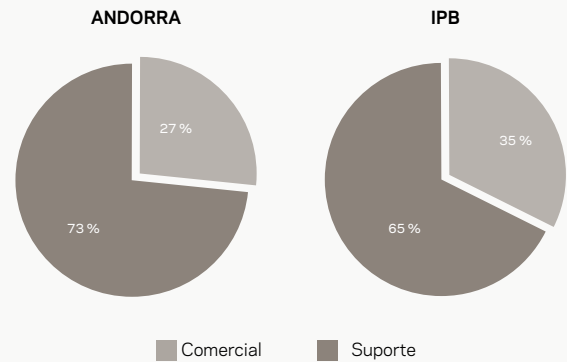
Atualmente, a equipe inclui 37 nacionalidades diferentes, por isso diversidade é uma característica da equipe do Andbank.

Embora relativamente jovem, com uma média de idade de 40 anos, nossa equipe é altamente qualificada, profissional e dinâmica. Quase 80% dos colaboradores do grupo Andbank possuem formação superior.

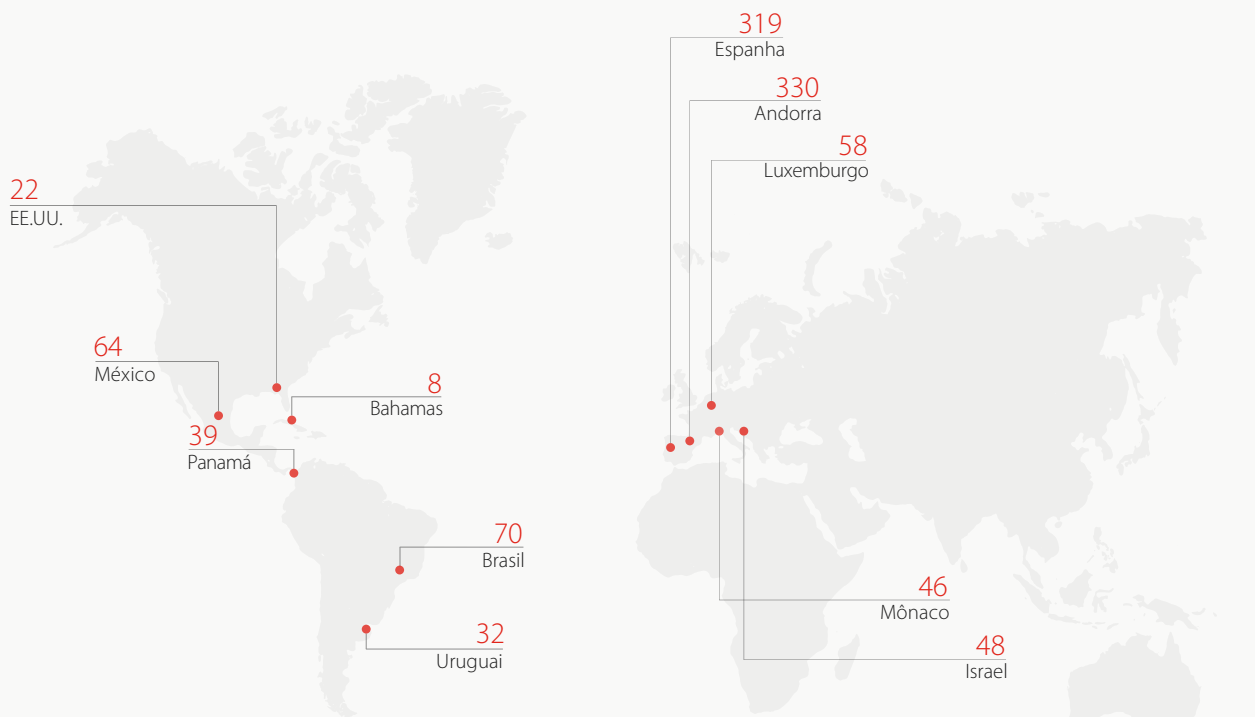
Distribuição dos funcionários por nível de formação



Distribuição de funcionários por divisão



Distribuição da planilha por países



*Não estão distribuídos no mapa o total de funcionários das empresas investidas.

Campus Andbank

▪ Treinamento e desenvolvimento de talentos

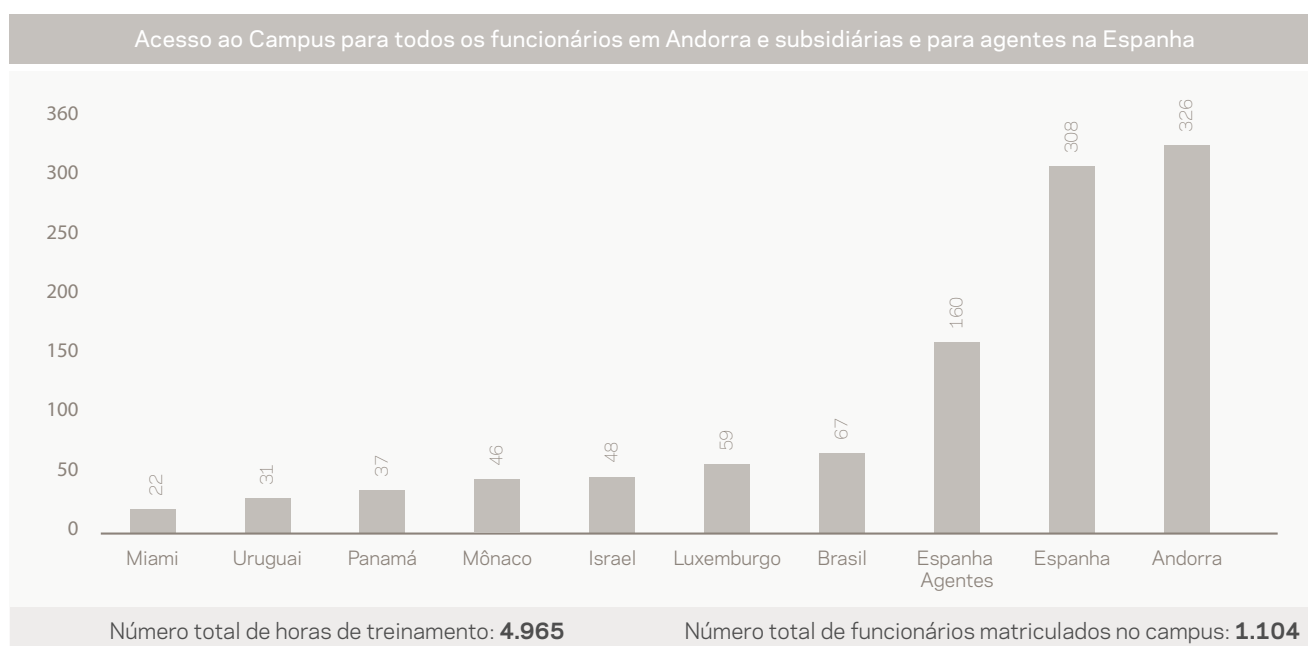
Através do campus, queremos que cada funcionário do Andbank tenha a possibilidade de desenvolver seu potencial. Para melhorar a taxa de ocupação, em 2018 facilitamos o treinamento em áreas como Compliance, Produtos e Serviços, Tecnologia e Sistemas, Organização e Riscos.

As características gerais do Campus Andbank são:

- Campus disponível em dois idiomas: espanhol e inglês
- Material didático traduzido para diferentes idiomas: catalão, espanhol, português e inglês
- Cursos de caráter obrigatório ou voluntário para diferentes grupos.

Os dados mais significativos da atividade do Campus em 2018 foram os seguintes:

- 38 ações de treinamento disponibilizadas. Destes 38 treinamentos, 22 foram destinados a subsidiárias, e a Espanha foi o país que mais utilizou o campus para treinar seus funcionários (9 treinamentos em 2018).
- O treinamento virtual representa mais de 70% do total de treinamentos realizados no Andbank.



▪ Desenvolvimento dos funcionários do Andbank

Em 2018, foi criado e implementado um Plano de Indução para todos os novos funcionários em Andorra. O Plano de Indução do Andbank foi concebido como uma primeira ação de treinamento para as pessoas que ingressam na organização, e é dividido em três blocos.

Os objetivos do plano são:

- Organizar a indução, socialização e monitoramento de novas contratações de forma consistente e estruturada.
- Ajudá-los a se adaptar e se identificar com o Andbank.
- Conscientizá-los sobre os regulamentos internos e protocolos de segurança (emergências), bem como medidas de prevenção de riscos profissionais.

Bloco 1 (Primeiro dia)

A conformidade com esses padrões e políticas por todos os funcionários é essencial para o sucesso da instituição.

- Código de conduta
- Política Geral sobre a Prevenção da Lavagem de Dinheiro e Financiamento do Terrorismo
- Política Geral sobre Medidas Anticorrupção

- Padrão Técnico para Classificação de Informações.

Bloco 2 (1 mês)

- AML - Anti-Lavagem de Dinheiro
- DIMFID Básica - Diretiva relativa aos Mercados de Instrumentos Financeiros
- O EURO: Segurança
- Política Geral sobre o uso de e-mail corporativo
- Política Geral sobre o uso de recursos de TI
- Plano de autoproteção bancário
- Ação em resposta a atos criminosos.

Bloco 3 (2 meses)

Esses cursos fazem parte do Plano Anual de Treinamento de Compliance. Sua implementação permitirá que você conheça as mais recentes ações estabelecidas pela Comissão Europeia na prevenção de lavagem de dinheiro e financiamento do terrorismo, as categorias de clientes do Andbank, o regulamento FATCA, a troca de informações fiscais e os benefícios do regime de QI.

- MiFID avançado - Markets in Financial Instruments Directive
- QI - Qualified Intermediary
- FATCA - Foreign Account Tax Compliance Act
- CRS - Common Reporting Standard.

Opcional

- Pesquisa de satisfação
- Diploma

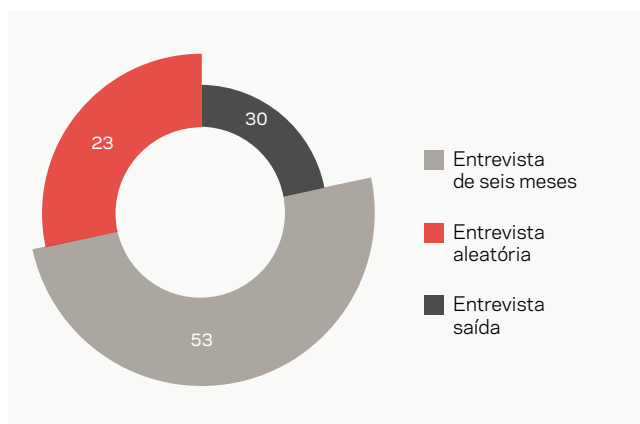
Experiência do Funcionário

Entrevista de seis meses

A carreira de um funcionário em uma empresa passa por vários estágios fundamentais: compartilhamento, aprendizado, contribuição e crescimento. Uma das ferramentas que usamos para promover esse processo são as entrevistas de acompanhamento. Essas entrevistas nos permitem não somente ouvir os funcionários, canalizar e receber feedback deles e usar suas opiniões, julgamentos e visões subjetivas para encontrar soluções para os obstáculos que eles encontram em suas atividades diárias, mas também para melhorar e promover o comprometimento dos funcionários com nossa marca, nossos valores, nossos processos e nossas equipes. Em 2018, entrevistamos 30 pessoas que trabalhavam no Andbank havia menos de seis meses.

Entrevista aleatória

Em 2018, decidimos conduzir entrevistas aleatórias com uma amostra de funcionários. Percebemos que estamos diante de um cenário pleno de contrastes, e queremos saber como são as pessoas do Andbank e como elas percebem alguns fatores que o Departamento de Recursos Humanos considera cruciais.



Frequência de entrevista: **anual**

Nº de entrevistas aleatórias: **53**

Amostra como% da força de trabalho: **14%**

As entrevistas abrangeram áreas como salário, treinamento, ambiente de trabalho, volume de trabalho, benefícios, oportunidades de crescimento, relacionamento com colegas, reconhecimento, trabalho em equipe, relacionamento com superiores, identificação com Andbank, felicidade e PEV*.

Entrevista de saída

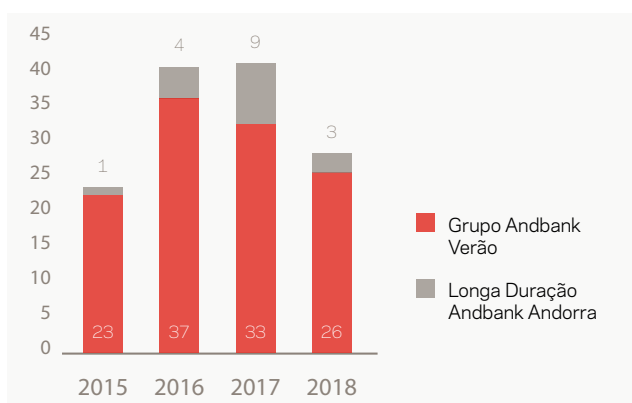
Recursos Humanos realiza entrevistas de saída com todos os colaboradores que deixam o Andbank voluntariamente. Essas entrevistas são usadas para saber mais sobre as razões pelas quais as pessoas decidem desistir de seu emprego e deixar o Andbank. As entrevistas são uma oportunidade de obter feedback sincero sobre o verdadeiro estado da empresa. Em 2018, entrevistamos 30 pessoas.

Programa Trainee Andbank

Programa Trainee Andbank – Estágios de Verão

Através do Programa Trainee Andbank, o Andbank oferece aos estudantes a oportunidade de fazer estágios de verão ou obter bolsas de estudos de longo prazo para que possam aprender na prática e ganhar experiência de trabalho. Esses estágios remunerados podem ser feitos em qualquer departamento do banco ou de suas subsidiárias e os candidatos selecionados recebem mentores especializados em cada área.

No verão de 2018, um total de 26 jovens ingressaram em serviços corporativos em Andorra e em subsidiárias na Espanha e em Luxemburgo. Os departamentos nos quais os estágios foram realizados foram Marketing, Assessoria Jurídica, Contabilidade, Tecnologia da Informação, Serviços Gerais, Organização, Operações e filiais em Andorra.

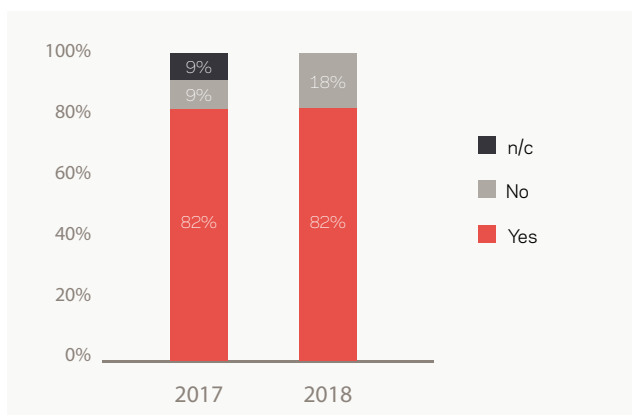


Programa Trainee Andbank - bolsas de estudo de longo prazo

Em 2018, um total de 3 jovens se juntou ao Andbank no Programa de Bolsas de Estudo de longo prazo. Estas eram pessoas que concluíram o bacharelado ou o mestrado e tiveram a oportunidade de adquirir experiência no mundo dos serviços financeiros e, posteriormente, unir-se à equipe do Andbank de forma permanente.

Uma vez concluído o estágio na sede em Andorra, os participantes recebem um questionário no qual são solicitados a avaliar o Programa Trainee Andbank e sua experiência no Andbank. As perguntas incluem o seguinte:

¿ Você repetiria a experiência deste ano no próximo Programa de Estágio Andbank no verão de 2019?



Pesquisa sobre Qualidade de Serviço Interdepartamental

Este ano, a 4ª Pesquisa sobre Qualidade de Serviço Interdepartamental foi conduzida virtualmente em toda a empresa. A pesquisa está focada em avaliar o nível de serviço que os departamentos fornecem uns aos outros e as funções que desempenham. Inclui uma avaliação quantitativa e qualitativa, esta última servindo para contextualizar a avaliação quantitativa.

Na avaliação quantitativa, os itens a serem considerados foram: qualidade e eficiência, disposição e empatia e orientação para o cliente / negócios

Novidades em 2018

- Condições gerais: Os funcionários devem avaliar apenas os departamentos que fornecem serviços para eles, e não os departamentos com os quais não têm relações e nem o seu próprio departamento.
- Subsidiárias: Em 2018, a subsidiária israelense participou da Pesquisa sobre Qualidade de Serviço Interdepartamental.
- Avaliação Quantitativa: A pontuação geral é calculada automaticamente, adicionando as pontuações de qualidade e eficiência, disposição e empatia e orientação para clientes / negócios.
- Avaliação Qualitativa: A avaliação qualitativa é obrigatória se um departamento pontuar 4 ou menos em qualquer item.

Em 2018, a participação foi de 83% (-7,23% versus 2017), representando um total de 247 departamentos e agências, abrangendo 929 pessoas. Como resultado da mudança nas condições gerais, com a mudança de uma pesquisa por departamento para uma pesquisa por pessoa, a taxa de participação declinou em relação ao ano anterior.

Por fim, o item geral de pontuação máxima nesta pesquisa foi disposição e empatia (7,79%), seguido pela orientação para clientes / negócios (7,67%) e qualidade e eficácia (7,53%).

Andbank Performer

Atualmente, um dos maiores desafios para as políticas de recursos humanos do Andbank é a necessidade de criar estratégias, modelos, sistemas e práticas eficientes que sejam consistentes e alinhados com a estratégia do banco.

Uma vez que não podemos cumprir os objetivos estratégicos a menos que contemos com as pessoas certas, o Modelo de Gestão de Desempenho do Andbank é uma ferramenta vital para orientar o desempenho organizacional. O objetivo da avaliação de desempenho é promover o desenvolvimento geral de cada pessoa por meio de planos de ação.

PERFIS ANDBANK	COMPETÊNCIAS	CARACTERÍSTICAS
Executivo	29 competências agrupadas em 3 famílias e analisadas em 4 níveis de comportamento (de 1 a 4)	Descendente
Gerentes		Baseado na cultura e nos valores do Andbank
Gerentes de bancos (negócios)		Ferramenta virtual
Banqueiros (negócios)		Avaliação qualitativa
Gestor de projeto		
Especialista em regulamentação		
Especialista em investimento		
Especialista operacional		

Em 31 de dezembro de 2018, realizaram-se avaliações de desempenho nas seguintes subsidiárias:

Por razões estruturais, as avaliações do Andbank Andorra (sede) e do Andbank Luxemburgo (banco e gestor do fundo) foram realizadas durante o primeiro semestre de 2018, porque, caso contrário, teriam coincidido com o inquérito de qualidade.

Ao todo, 89% dos empregados das subsidiárias acima mencionadas foram avaliados.

3. Andbank e seus clientes

Nossos clientes são o foco de nossa atividade financeira e a base de nossos negócios. Devemos, portanto, salvaguardar os seus interesses e satisfazer as suas necessidades mais prementes.

Andbank possui uma ampla gama de produtos e serviços projetados por seus gerentes e especialistas, que buscam continuamente os melhores produtos, de modo a oferecer as melhores soluções para o maior número de indivíduos e grupos.

Temos vários canais de atendimento ao cliente e investimos em inovação tecnológica para melhorar nosso relacionamento com os clientes e responder mais rapidamente às suas demandas.

Nosso objetivo é integrar os canais tradicionais aos mais inovadores, de forma a manter a proximidade e a confiança associadas ao contato pessoal. Com o avanço da tecnologia, surgiram novos modelos de atendimento ao cliente. O desenvolvimento de conteúdo e a inovação tecnológica facilitam o acesso às operações bancárias por meio dos dispositivos mais recentes, como smartphones e tablets.

Melhorias para proteger nossos clientes

1. Proteção do investidor

O compromisso do banco com seus clientes tem duas dimensões básicas: criação de valor a longo prazo e a máxima transparência de informações. O banco possui procedimentos para garantir o cumprimento dos requisitos regulatórios nas jurisdições em que opera. Também possui políticas globais, adaptadas às peculiaridades de cada jurisdição.

Para mitigar o risco de conformidade regulatória e o risco reputacional, o Andbank:

- Tem uma estrutura organizacional projetada para gerenciar riscos e conflitos de interesse.
- Atribui funções e responsabilidades claras dentro da organização.
- Tem políticas e procedimentos transparentes, que estão disponíveis aos clientes.
- Reforça as regras de conduta para aumentar a proteção do investidor.
- Comercializa produtos financeiros com base em uma categorização clara de serviços, tipos de clientes e produtos.

O banco visa, assim, alcançar:

- Serviços financeiros que correspondem às necessidades dos clientes.
- Um relacionamento transparente e bilateral, com direitos e obrigações de ambos os lados.
- Resolução justa de reclamações de clientes.

2. Incidentes e reclamações

O Departamento de Atendimento ao Cliente lida com consultas, reclamações e reclamações do Departamento de Qualidade.

A incapacidade de resolver problemas e a falta de empatia são as principais causas de atrito com clientes em instituições financeiras. O Andbank, portanto, incentiva seus clientes a relatar suas preocupações, reclamações e reclamações e cuida para que as reclamações e reclamações cheguem ao indivíduo ou departamento certo e sejam atendidas.

O primeiro objetivo do Andbank, portanto, é satisfazer seus clientes. O segundo objetivo é suscitar preocupações dos clientes, de modo a poder corrigir eventuais erros e, assim, continuar a melhorar.

Todos os clientes são atendidos e todos os incidentes são tratados de maneira diferente, dependendo do assunto ou setor em questão e da relativa facilidade ou dificuldade de resolver cada um deles.

Os seguintes canais e recursos estão disponíveis para os clientes enviarem solicitações, queixas e reclamações:

1. Presencial em uma filial;
2. Telefônico: linha de atendimento ao cliente pelos números (+376) 873 333 e (+376) 873 308;
3. Formulário de reclamação ad hoc disponível em todas as filiais;
4. Seção "Queixas e Reclamações" na página Contatos do site corporativo;
5. Por carta ou e-mail para o Departamento de Recursos Humanos ou Departamento de Qualidade.

DADOS ESTATÍSTICOS

Número de reclamações e consultas apresentadas		
2016	2017	2018
86	159	143

Tempo médio de resposta		
2016	2017	2018
11,9 dias	31,5 dias	9,5 dias

% de respostas em prazo inferior a uma semana		
2016	2017	2018
>60 %	>48 %	>60 %

Meios utilizados		
2016	2017	2018
Carta: 12%	Carta: 15%	Carta: 13%
Formulário: 32%	Formulário: 22%	Formulário: 15%
Presencial: 26%	Presencial: 39%	Presencial: 54%
Telefone: 0	Telefone: 2%	Telefone: 2%
Email: 30%	Email: 22%	Email: 16%

3. Normas de ética e conduta

O Andbank toma medidas para promover a conduta ética de todos os funcionários do banco. Para o Andbank, o cliente é o foco da atividade do banco e nenhum negócio pode ser aceito se for passível de gerar riscos reputacionais.

O banco possui um código de ética que estabelece padrões mínimos de comportamento que todos os funcionários, gerentes e diretores devem seguir; o código requer que todos ajam com responsabilidade no desempenho de suas funções.

4. Produtos sustentáveis

Para integrar a responsabilidade social corporativa do grupo nos produtos e serviços do banco, vários produtos associados à responsabilidade social foram desenvolvidos:

Andbank Microfinance Fund

O Andbank Microfinance Fund é um fundo de renda fixa que investe em microempréstimos em países em desenvolvimento. Foi desenvolvido em colaboração com o BlueOrchard e possui um duplo objetivo filantrópico: além de investir em uma atividade de impacto social como microempréstimos para empreendedores de países em desenvolvimento, 80% dos lucros do fundo são destinados a projetos realizados por ONGs selecionadas pelos investidores, enquanto os 20% restantes são compartilhados entre os membros do plano.

O produto é comercializado sob a égide do BlueOrchard Microfinance Fund, um fundo de renda fixa com 15 anos de trajetória e retorno médio anual de 4%, com investimentos em dólares e em euros.

Em 2018, o produto doou seus dividendos (cerca de 39.000 euros) à Fundação Fero, com a qual o Andbank colabora ativamente no apoio à pesquisa oncológica realizada pela fundação.

AndVida e AndSalut

A Andbank Assegurances oferece seus novos produtos de seguro de vida e saúde, com maior cobertura para atender às necessidades atuais de assistência médica. Os produtos de seguros de vida e de saúde oferecem aos nossos clientes soluções ideais, bem como benefícios completamente flexíveis, adaptados às suas necessidades, dando-lhes acesso à medicina mais avançada e da mais alta qualidade para maior bem-estar.

4. Estratégia de responsabilidade social corporativa

A responsabilidade social das empresas (RSE) é um elemento fundamental da cultura do grupo Andbank. Assim, a estratégia do grupo é baseada em seus princípios e valores, que definem o Andbank como uma instituição orientada para o cliente e comprometida com as sociedades nas quais está presente.

Um dos principais objetivos do grupo é alcançar um crescimento significativo e sustentável, aplicando a transparência, a independência e a boa governança da instituição para proteger os interesses de seus stakeholders, contribuir com a criação de valor e conquistar sua confiança e apoio.

O plano estratégico do grupo também define a estratégia de RSC, a qual é implementada por meio de várias linhas de ação que colocam em prática o compromisso da instituição com as relações com seus stakeholders e o processo de melhoria contínua.

Uma dessas linhas de ação é o principal projeto de responsabilidade social corporativa do grupo se concentra na pesquisa do câncer e no combate à doença. O Andbank colabora ativamente com três organizações que partilham os mesmos objetivos; o Instituto de Oncologia Vall d'Hebron (VHIO), a Fundação Fero no campo da investigação e o Hospital Sant Joan de Déu na cura e tratamento do cancro infantil: três instituições de classe mundial em suas especialidades, que estão fazendo a diferença.

Compromisso do Andbank com o tratamento e pesquisa do câncer

Andbank é um dos fundadores do novo Centro Pediátrico de Câncer de Barcelona, um projeto colaborativo na luta contra o câncer. Promovido pelo Hospital Sant Joan de Déu, este é um projeto muito ambicioso que pretende tornar-se o maior centro de câncer infantil da Europa. A primeira pedra foi lançada em outubro e o centro deverá ser inaugurado no segundo semestre de 2020.

O novo Centro de Câncer Pediátrico SJD de Barcelona terá capacidade para 400 pacientes por ano, 30% a mais do que o Hospital de Sant Joan de Déu atualmente (215 novos casos a cada ano e 70 recaídas e segundas opiniões) e será equipado com tecnologia de ponta na luta contra o câncer.

As instalações ocuparão uma área total de 8.400 metros quadrados em um prédio de quatro andares ao lado do Hospital Sant Joan de Déu, conectado ao prédio principal por uma passarela.

Campanha de angariação de fundos

O Hospital Sant Joan de Déu lançou uma campanha, #ParaLosValientes, convocando a sociedade civil a apoiar o projeto com microdoações e grandes doações. A campanha levantou os 30 milhões de euros necessários para realizar o projeto.

Milhares de pessoas e um grande número de empresas e organizações em diferentes áreas responderam ao apelo, notadamente a Fundação Leo Messi, a Fundação FC Barcelona, Esteve, a Fundação Abertis, a Ascires e Andbank, fornecendo os fundos necessários para iniciar as obras.

No ano passado, o banco mais uma vez trabalhou em estreita colaboração com a Fundação Fero em várias iniciativas destinadas a garantir apoio adicional à fundação, envolvendo tanto o banco como seus funcionários e a sociedade andorrana em geral.

A Fundação Fero é uma fundação privada dedicada à pesquisa do câncer que, graças a doações por parte de pessoas físicas, iniciou vários laboratórios de pesquisa científica. Foi fundada pelo Dr. Josep Baselga, professor de medicina na Universidade Autônoma de Barcelona e presidente do comitê científico da VHIO. Um dos marcos mais importantes da fundação foi a criação do Centro de Câncer de Mama no Hospital Vall d'Hebron, o único centro desse tipo na Espanha.

Uma das iniciativas foi organizar uma oficina de crochê para arrecadação de fundos, feita por Estefanía González, proprietária da Santa Paziencia. O workshop envolveu a confecção de plumas decorativas com fios, que poderiam depois ser colocadas à venda nos balcões do Andbank. Esta iniciativa arrecadou mais de 4.000 euros.



Inauguration ceremony for the construction of the SJD Pediatric Cancer Center Barcelona

Além disso, o Fundo de Microfinanciamento Andbank contribuiu com cerca de 39.000 euros para a fundação através dos seus dividendos. Este fundo de renda fixa, que possui um histórico de 15 anos, operado sob a égide do BlueOrchard Microfinance Fund, tem um duplo objetivo filantrópico: por um lado, investir em ativos socialmente responsáveis e, por outro, alocar 80 % de seus dividendos para uma ou mais ONGs.

Pelo terceiro ano consecutivo, o Andbank foi o principal patrocinador do jantar de gala beneficente e da cerimônia de premiação do 14º Fero Grant em pesquisa de câncer translacional, financiado com 80.000 euros. O subsídio foi concedido a dois estudos sobre processos metastáticos. A Dra. Alena Gros, pesquisadora do Instituto de Oncologia Vall d'Hebron, recebeu uma doação de 80.000 euros, financiada pela Fundación Ramón Areces, para testar uma imunoterapia inovadora que poderia ser eficaz para induzir a regressão de tumores sólidos com metástase.

E com o patrocínio de Sol Daurella, a Dra. Berta L. Sanchez-Laorden, do Instituto de Neurociências de Alicante, recebeu financiamento para realizar um projeto que busca novas abordagens para o tratamento de pacientes com melanoma e metástases cerebrais.

Em 2018, o banco participou de outro evento de arrecadação de fundos para o combate ao câncer infantil, o livro "Cucharas que Cuidan", publicado pela Fundació Amics Joan Petit Nens amb Càncer. A publicação foi apoiada por Andbank, o governo andorrano e Assandca.

O livro é escrito pela Dra. Antonieta Barahona, as ilustrações são do conhecido ilustrador Pilarín Bayés e o projeto é de Pere Álvaro.

O livro é um guia de nutrição para crianças e adultos com câncer, contendo recomendações dietéticas e conselhos nutricionais para mitigar os possíveis efeitos colaterais do tratamento do câncer.

Andbank e a sociedade

O compromisso do grupo Andbank com as sociedades em que está presente vai além de sua contribuição econômica. Impulsionado por uma profunda consciência da responsabilidade social, o grupo apoia entidades que trabalham para melhorar o bem-estar social das pessoas em Andorra.

O banco mantém laços estreitos com as comunidades em que atua e gera valor nessas comunidades por meio de atividades colaborativas que beneficiam as mesmas, como organizar palestras educacionais de especialistas da indústria, fomentar projetos empresariais, contribuir com projetos socialmente responsáveis e apresentar jovens aos valores associados a esportes de alto nível, como esforço, tenacidade e perseverança, valores com os quais o Andbank se sente totalmente identificado.

O Andbank promoveu diversas iniciativas sociais, culturais e esportivas que visam expandir e maximizar os benefícios para a sociedade.

Compromisso social e cultural do Andbank

O Andbank está comprometido em apoiar o desenvolvimento e o bem-estar da sociedade andorrana.

Por isso, oferece auxílio financeiro e apoio profissional a entidades parceiras cuja missão é levar ajuda vital a pessoas que carecem de recursos ou enfrentam dificuldades de qualquer tipo.

Social

- Acordo com o Patronat de Dames de Meritxell para apoiar e melhorar os projetos realizados anualmente pela Oficina de Ocupação Xeridell.
- LQDVI (Lo que de verdad importa) conferência sobre valores humanos, éticos e morais, dirigida ao público em geral, especialmente aos jovens. Esta conferência foi realizada pela primeira vez em Andorra e contou com a participação da modelo e ativista Sandra Ibarra, que falou sobre sua luta contra o câncer.



Presentation of book by Francisco Castaño, with Pedro García

- Ciclo de palestras. Em 2018, o Andbank trouxe palestrantes de vários campos: Josep M. Batalla, fundador da agência de design La Casa de Carlota, o primeiro estúdio de design do mundo em que profissionais criativos, estudantes e designers com síndrome de Down e autismo trabalham juntos; Jesús Romero, sócio da Crowe Horwath em Barcelona e diretor de tributos internacionais da empresa; Francisco Castaño Mena, educador e professor, e Pedro García Aguado, treinador e apresentador de televisão, que apresentou o livro La mejor medalla: su educación; Dr. Josep Sánchez de Toledo, chefe de Oncologia Pediátrica e Hematologia no Hospital Vall d'Hebron em Barcelona; Dr. Pere Gascón, diretor do laboratório de oncologia molecular e translacional IDIBAPS; Dr. López Gil de Dermandtek; Dra. Marije Goikoetxea Iturregui, Doutora em Direitos Humanos, Bacharel

em Psicologia e Teologia, e MA em Bioética; e Enrique López de Ceballos e Fernando López Muñoz, advogados tributários da firma Eversheds Sutherland Nicea. Com este ciclo de palestras, a instituição pretende agregar valor à sociedade, fornecendo informações que podem ser de interesse em áreas como medicina, aprendizagem, tributação e educação.

Cultural

- Mostra de filmes espanhóis. A 9ª Mostra de Cinema Espanhol foi apresentada em colaboração com a Embaixada da Espanha, com exhibições de cinco filmes de diretores conhecidos e a presença do famoso ator Nancho Novo.
- Colaboração com a temporada cultural da Embaixada da França, com um concerto da Kids United, um autêntico fenômeno midiático na França e, inquestionavelmente, o mais conhecido grupo musical francês jovem em Andorra. Composta por cinco crianças e adolescentes, a Kids United foi formada em 2015 para uma campanha dirigida pela UNICEF França.



Kids United Concert

- Mais uma vez, o prêmio de ficção curta Manuel Cerqueda foi apresentado na 41ª noite literária anual, organizada pelo Cercle de les Arts et les Llétries. Este ano, o prêmio de 6.800 euros foi para a história de detetive Deu minuts de Joaquim Brustenga i Etxauri, uma história de assassinato.
- Colaboração com o Festival Castell de Peralada. Em 2018, o Andbank mais uma vez contribuiu para a disseminação da cultura, apoiando o excelente programa musical do festival.
- Iberian Organ Concerts, organizados pelo Comú (conselho) da paróquia de La Massana e pela associação Amics dels Orgues, com o apoio do Andbank. O órgão ibérico da igreja de Sant Iscle i Santa Victòria foi a peça central das várias atividades organizadas em torno da 1ª Feira Ibérica de Órgão e Gastronomia.
- Nocte Candela. Ordino recebeu, pela primeira vez em Andorra, a Noche da Candela, na qual mais de 10.000 velas acesas lideraram um passeio artístico pelas ruas do centro histórico de Ordino, com apresentações de músicos, dançarinos, malabaristas e comedores de fogo.

Andbank e o esporte

Os valores fomentados pelo esporte juvenil e de alto nível, como o esforço, a tenacidade e a perseverança, são valores com os quais o Andbank se sente totalmente identificado. Por essa razão, nossa instituição há muito tempo mantém laços estreitos com o mundo esportivo.

- Comitê Olímpico de Andorra (COA). O Andbank patrocinou as atividades do COA por mais de uma década. No Festival Olímpico de Verão da Juventude Europeia de 2017, realizado em Győr, na Hungria, a judoca Léa Adam conquistou a primeira medalha de bronze de Andorra.
- Federação de Esqui de Andorra (FAE). O Andbank patrocinou as equipes de cross-country e freestyle da Federação Andorrana de Esqui, formada por jovens esquiadores. Os jovens competidores Irineu Esteve e Carola Vila obtiveram excelentes resultados nos eventos em que participaram.
- Corrida Memorial Manuel Cerqueda. Em 2018 foi realizada a 29ª edição de slalom gigante do veterano tradicional, organizado pelo Andorra Ski Club.
- Festa del Nòrdic. O Andbank patrocinou deste evento de vários dias em que os participantes competiram em várias disciplinas, incluindo biatlo e esqui cross-country, bem como o Marcha Andorra Fondo.
- Andbank Golf Tournament. O golfe continua sendo um dos principais patrocínios do Andbank. Em 2018, foi realizada a 18ª edição do Andbank Golf Tournament, com seis rodadas locais. Um dos objetivos deste torneio sempre foi jogar nos melhores campos de golfe espanhóis. Este ano, as rondas do torneio foram realizadas no Cerdanya Royal Golf Club, no Jaizkibel, em San Sebastián e no León Golf Club, entre outros.
- La Purito. O banco continua apoiando o projeto promovido por Joaquim "Purito" Rodríguez, que projetou a etapa "rainha" da corrida de bicicleta Vuelta a España 2015. A quarta edição da turnê cíclica La Purito Andorra, organizada pelo Clube Sprint com a colaboração do governo de Andorra, atraiu mais de 2.000 participantes, de acordo com as expectativas dos organizadores.
- FIM Gala. A Federação Internacional de Motociclismo (FIM) realizou seu baile de gala anual em Andorra pela segunda vez em 2018, com o apoio do Andbank. O baile de gala e a assembleia geral contaram com mais de 1.000 participantes, incluindo representantes de 113 federações afiliadas, que este ano elegeram o novo presidente da FIM.
- Federação de Natação Andorrana (FAN). O Andbank assinou um contrato de patrocínio com a federação de natação por duas temporadas, a fim de apoiar jovens nadadores andorranos que vêm obtendo ótimos resultados.



Presentation of the 2018 FIM Awards

- 2º Rally Catalunya Històric. Em colaboração com o RACC, o Andbank foi o principal patrocinador deste rali de regularidade para carros clássicos em estradas fechadas ao tráfego. O rali de aproximadamente 650 km tem duração de dois dias.

Andbank e a comunidade empresarial

Como instituição financeira e empresarial, o Andbank está empenhado em apoiar iniciativas empresariais através de acordos de colaboração com empresas e empresários para reforçar o crescimento e desenvolvimento de Andorra.

- Andorran Family Business. O Andbank participou da Cúpula Internacional de Empresas Familiares da Europa, na qual o tema da segurança cibernética foi discutido. O 17º Fórum de Empresas Familiares de Andorra também ocorreu durante o ano sob o título "Uma estratégia aeroportuária para Andorra".
- Fundación Empresas IQS. O Andbank trabalha regularmente com a fundação IQS, cuja missão é formar profissionais, tanto na dimensão técnica como na humana, e fomentar a formação, pesquisa e relações entre IQS e o mundo dos negócios.



Economics conference presented by Àlex Fusté

- Seminários econômicos com Àlex Fusté. Nosso especialista em macroeconomia, Àlex Fusté, apresentou várias palestras internacionais durante o ano. Àlex participou de vários encontros sobre economia na sede do banco e foi orador convidado em vários países nos quais o Andbank está presente, incluindo Uruguai, Panamá, Espanha e Israel.
- Taller Emprendedores (Oficina de Empreendedores). Um grupo de líderes empresariais e empreendedores foi apresentado ao Espaço de Inovação de Andorra, "Actua", em Caldea, graças à iniciativa Taller Emprendedores do governo de Andorra e ao Andbank.

Andbank mostra solidariedade

A Associação de Solidariedade dos Colaboradores do Andbank (ASCA) mais uma vez juntou os seus esforços de caridade às ações de solidariedade do Andbank e de forma altruísta, promoveu e apoiou os pedidos de ajuda recebidos pelo banco. Estes projetos, em Andorra e no exterior, são coordenados pela ASCA.

- Colaboração anual com o programa "Cuida 'm" do Hospital Sant Joan de Déu, destinado a ajudar jovens de ambos os sexos cujas vidas dependem de acesso a tratamentos médicos e cirúrgicos altamente complexos.
- Projetos solidários. Esses projetos são promovidos por vários funcionários que prestaram auxílio à República Dominicana, Nepal, Marrocos e outros países.

- Coleta de alimentos e materiais para várias situações de emergência e famílias carentes.
- Campanha de coleta de tampas plásticas para aquisição de cadeiras adaptadas.
- Centro social e de saúde El Cedre.
- Contribuição para a campanha beneficente El Marató da TV3.
- Fundación Muntanyencs per l'Himàlaia (Alpinistas para os Himalaias).
- Projeto educacional e social da fundação Infants del Món no Camboja.
- Colaboração com a Associação de Alzheimer.
- Apoio ao Dia Internacional de Combate à Violência contra as Mulheres.

Outra ONG andorrana com a qual Andbank colabora é a AINA, especificamente para a publicação do songbook para arrecadar fundos para bolsas de estudo para crianças carentes.

Expansão internacional do Andbank

Um dos objetivos do grupo Andbank, no âmbito do plano estratégico, é se expandir internacionalmente. O compromisso do banco, portanto, se estende para além de Andorra e exige a manutenção de um relacionamento próximo e envolvimento com os negócios e a sociedade em todos os territórios nos quais o Andbank está presente.

Em 2018, várias ações foram realizadas em diversos locais de presença do Grupo.

O Andbank Espanha, seguindo a estratégia de responsabilidade corporativa do grupo, assinou um acordo com a associação Save the Children e a Fundação Cris contra o Câncer, com a qual colabora ativamente. Em 2018, o Andbank Espanha ganhou o Prêmio Empresa por seu apoio à fundação. Também foi realizado um torneio de padel solidário, cujos recursos foram destinados à Fundação Fero e ao Hospital Sant Joan de Déu. Mais de 200 pessoas participaram deste primeiro torneio. Da mesma forma, participou do Dia de Solidariedade das Empresas, um evento organizado pela Atresmedia e pela ONG Cooperação Internacional, no qual se promove o voluntariado corporativo. Nesta edição, a décima-primeira, mais de 1.200 voluntários de 50 empresas participaram. Quanto à esfera econômica, houve os seminários de estratégia organizados em várias cidades espanholas e simpósios organizados por diversas entidades espanholas e a conferência sobre os agentes financeiros, MiFID II e novas tendências de private banking.



Andbank Spain - Solidarity paddle tournament

O Andbank Panama renovou seu patrocínio ao clube Kiwanis, colaborando na 34ª edição de sua corrida beneficente. Este

evento atrai mais de 1.000 participantes e o dinheiro arrecadado é revertido para pessoas carentes, principalmente crianças. Também patrocinou a abertura da exposição Panama Photo Club, realizada no Museu de Arte Contemporânea do Panamá (MAC), e que reuniu muitos visitantes.

O Andbank Brasil e a empresa de gestão de fundos Triar organizaram um almoço em São Paulo, sob o título "Oportunidades e riscos para a economia brasileira". Três empresas de gestão locais bem conhecidas, a Vinland, a Canvas Capital e a AZ Quest, foram convidadas para o evento. Além disso, foram organizadas várias palestras com oradores de destaque, incluindo o economista-chefe do Andbank, Àlex Fusté. Na área do esporte, o Andbank Brasil também optou pelo patrocínio do golfe, apoiando o São Paulo Golf Club Championship, um dos maiores torneios de golfe da América Latina.

O Andbank Miami colaborou no Casper Tour, um projeto da Fundação Emilio Sánchez Vicario, criado em homenagem ao jovem tenista Casper Fernández, que faleceu após uma luta corajosa contra o câncer. O Casper Tour é composto por nove torneios disputados em três continentes e destina-se a jovens tenistas com idades entre 9 e 14 anos.

No Uruguai, o primeiro Torneio de Golfe foi realizado no Barra Golf Club, em Punta del Este, um renomado clube fundado em 1994. O evento teve aproximadamente 100 convidados.



Andbank Panama - 34th. Kiwanis race

Andbank e o meio ambiente

O compromisso da Andbank com o meio ambiente está incorporado em sua atividade comercial, incluindo seus projetos, serviços e produtos. O compromisso se estende aos funcionários e subsidiárias do banco, bem como às empresas com as quais trabalha.

Como banco, nossa atividade não gera nenhum risco material direto para o meio ambiente, mas acreditamos que, dado o nosso tamanho e influência na sociedade, devemos mostrar um compromisso com o meio ambiente.

O banco conduziu várias iniciativas de gestão ambiental, incluindo materiais e gestão de energia, especialmente em Andorra. Os principais alvos dessas iniciativas foram:

- Consumo de papel;
- Consumo de eletricidade e óleo diesel;
- Geração de resíduos.

Para reduzir esse impacto e atender às metas, várias iniciativas foram conduzidas e sua implementação e progresso foram monitorados:

- Redução do uso de papel e promoção de formatos digitais (correspondência com clientes, publicidade, etc.);
- Separação de resíduos (baterias, vidro, plástico, papelão);
- Redução do número de impressões e impressões em frente e verso e preto e branco (as impressoras foram substituídas);
- Promoção do uso de canais digitais e novas tecnologias.

MATERIAIS

Os principais materiais consumidos no banco são papel e tinta de impressora. Para reduzir o uso de tinta de impressora, novas impressoras foram instaladas e seu número foi reduzido. A campanha para usar papel de baixa gramatura continua.

Materiais	Consumo
Total de papel consumido	12,5 t
Papel consumido/utilizado	28 kg
Consumo Total de papel tipo A4	12.040 kg
Consumo Total de papel tipo A3	490 kg
Consumo Total de envelopes	775 kg

Os valores dos resíduos gerados, reciclados e doados são os seguintes:

Resíduos gerados	
Materiais recicláveis separados t/kg	205 kg
Resíduos levados para o aterro sanitário	560 kg

Resíduos reciclados	
Cartuchos de tinta de impressora enviados para reciclagem com certificado kg	430 kg
Papel kg	22.200 kg
Baterias	52 kg
Aparelhos elétricos	105 kg
Tampas plásticas	115 kg

As fontes de energia utilizadas pelo Andbank são o óleo diesel e a eletricidade, que são utilizados tanto na sede da empresa como nas filiais em Andorra.

As áreas comuns no prédio da sede corporativa e o estacionamento e as escadas têm um sistema de sensores de movimento, que é usado para manter as luzes desligadas quando não há ninguém, de modo a economizar energia.

Energia		2017	2018
Consumo total de eletricidade	kWh	3.735.790	3.313.802
Consumo de eletricidade/funcionário	kWh	11.320	10.042
Consumo total de diesel	m3	172.000	171.382
Consumo de diesel/funcionário	m3	521	519

Água		2017	2018
Consumo total de água	m3	6.878	6.864
Consumo de eletricidade/funcionário	m3	21	21



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Conselho de
Administração e
Organização

Conselho de Administração e Organização

Presidência

Òscar Ribas Reig

Presidente honorário

Manel Cerqueda Donadeu

Presidente

Oriol Ribas Duró

Vice-Presidente

Conselho de Administração

Manel Cerqueda Díez

Membro do Conselho representando
Cerqueda Donadeu, S.A.

Javier Gómez Acebo Saenz de Heredia

Membro do Conselho

Jorge Maortua Ruiz-López

Membro do Conselho

Manel Ros Gener

Membro do Conselho

Xavier Santamaria Mas

Membro do Conselho

Jaume Serra Serra

Membro do Conselho

Josep Vicens Torradas

Membro do Conselho

Jacobo Baltar García Peñuela

Secretário (não-membro)

Direção Geral

Ricard Tubau Roca

Diretor geral

Josep Xavier Casanovas Arasa

Diretor geral adjunto

Santiago Mora Torres

Diretor geral adjunto da
Área de Investimentos

Josep M. Cabanes Dalmau

Subdiretor geral
Banco País

Pedro Cardona Vilaplana

Subdiretor geral de
Organização e Sistemas

Jordi Checa Gutés

Subdiretor geral de
Recursos Humanos

Ivan López Llauradó

Subdiretor geral de
Compliance

Manuel Ruiz Lafuente

Subdiretor geral de
Auditoria





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ESTADOS UNIDOS

Andbank Wealth Management, LLC Controladora

1221 Brickell Avenue, Suite 1050
Miami, FL 33131. USA
T. +1. 305. 702. 06. 00
info.miami@andbank.com

Andbank Brokerage, LLC Atividades de intermediação financeira

1221 Brickell Avenue, Suite 1050
Miami, FL 33131. USA
T. +1. 305. 702. 06. 00
info.miami@andbank.com

Andbank Advisory, LLC Empresa Gestora de carteiras de investimento e assessoria financeira

1221 Brickell Avenue, Suite 1050
Miami, FL 33131. USA
T. +1. 305. 702. 06. 00
info.miami@andbank.com

MÉXICO

Columbus de Mexico, S.A. de CV Empresa de Assessoria de Investimentos Independente

Blvd. Adolfo López Mateos 2370, 1º
Colonia Altavista
01060 México D.F., México
T. +52. 555. 377. 28. 10
columbus@columbus.com.mx

BRASIL

ANDBANK BRASIL Group Licença Bancária Empresa Gestora de Fundos e Carteiras de Investimento

Av. Brigadeiro Faria Lima,
2179 - 8 andar Jd. Paulistano
CEP 01452-000
São Paulo - SP. Brasil
T. +55. 11 3095. 7070
privatebank_br@andbank.com

URUGUAI

AND PB Financial Services, S.A. Escritório de Representação do Andorra Banc Agricol Reig, S.A. e Andbank (Panamá), S.A.

Dr. Luis Bonavita 1266
WTC Torre IV - Of 1901
11300 Montevideo. Uruguay
T. +59. 826. 286. 885
info.uruguay@andbank.com

Quest Capital Advisers Agente de Valores, S.A. Corretora de valores

WTC Free Zone
Dr. Luis Bonavita 1294 piso 11 Oficina 1101
11300 Montevideo, Uruguay
T. +59. 826. 262. 333
info@questadvisers.com

APW Uruguay, S.A. Empresa de Assessoria de Investimentos

Dr. Luis Bonavita 1266
WTC Torre IV - Of 1901
11300 Montevideo. Uruguay
T. +59.826. 286. 885

PANAMÁ

Andbank (Panamá), S. A. Licença Bancária internacional e Corretora de valores

Business Park Torre V, Piso 15
Avenida de la Rotonda, Costa del Este. Panamá City
T. +507. 297. 58. 00
info.panama@andbank.com

BAHAMAS

Andbank (Bahamas) Limited Licença Bancária

2nd floor, One Montague Place
East Bay Street
P.O. Box AP 59223, Slot 417
Nassau. The Bahamas
T. +1. 242. 394. 70. 90
info.bahamas@andbank.com

ANDORRA

Andorra Banc Agrícola Reig, S.A. Licença Bancária

C/Manuel Cerqueda i Escaler, 4-6
AD700 Escaldes-Engordany. Andorra
Tel. +376. 873. 333
info@andbank.com

Andorra Gestió Agrícola Reig, S.A.U., SGOIC Empresa Gestora de Fundos de Investimento Andorra

C/Manuel Cerqueda i Escaler, 3-5
AD700 Escaldes-Engordany. Andorra
Tel. +376. 873. 300
info@andbank.com

ESPAÑA

Andbank España, S.A.U. Licença Bancária

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

Andbank Wealth Management SGIIC S.A.U. Empresa Gestora de Instituições de Investimento Coletivo

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

Medipatrimonia Invest S. L. Empresa de Assessoria Financeira Independente

Passeig de la Bonanova, 47, 2n
08017 Barcelona. España
T. + 34. 93. 567. 88. 51
medpatrimonia@med.es

LUXEMBURGO

Andbank Luxembourg, S. A. Licença Bancária

4, rue Jean Monnet
L-2180 Luxembourg
T. +352. 27. 49. 761
info.luxembourg@andbank.com

Andbank Asset Management Luxembourg, S. A. Empresa Gestora de Fundos e Carteiras de Investimento

4, rue Jean Monnet
L-2180 Luxembourg
T. +352. 27. 49. 761
info.luxembourg@andbank.com

MÔNACO

Andbank Monaco, SAM Licença Bancária

1, Avenue des Citronniers - BP 97
MC 98002 Monte - Carlo
Principauté de Monaco
T. +377. 93. 253. 013
info@andbank-monaco.mc

ISRAEL

Grupo SIGMA Empresa Gestora de Fundos e Carteiras de Investimento

14 Abba Hillel Silver Road
Ramat Gan
5250607 - Tel-aviv.
T. +972.361.38218
info@sigma-invest.co.il



