

ANDBANK /
Private Bankers



Andbank Investor Presentation

September 2017

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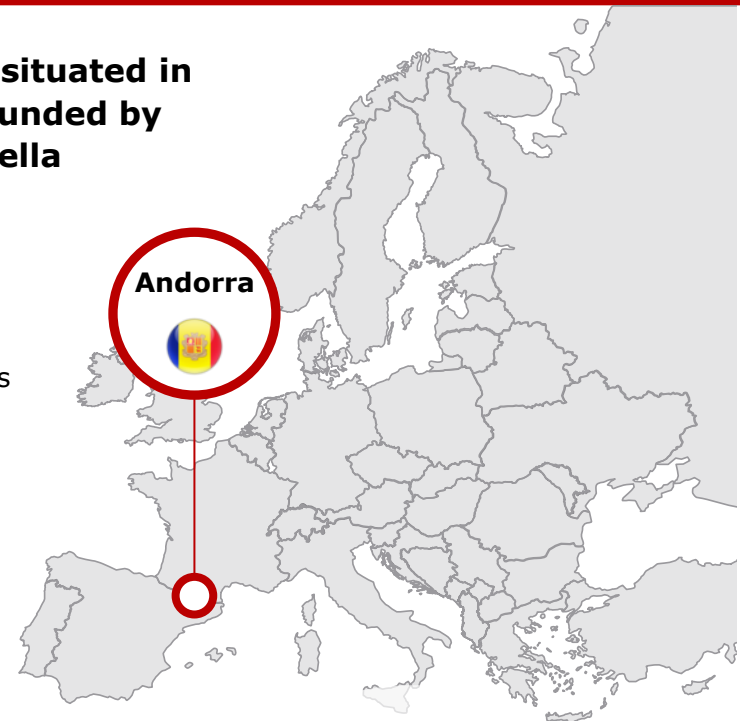
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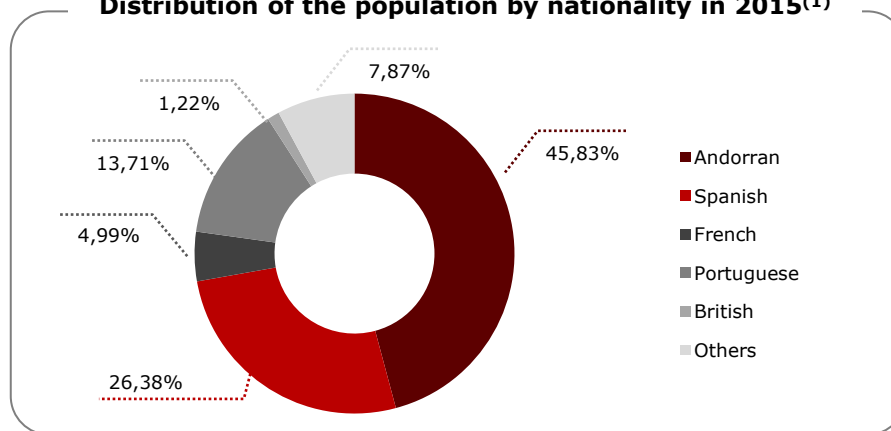
1. Geographic and demographic information

Andorra is an independent European co-principality situated in the southern peaks of the Pyrenees Mountains, bounded by France and Spain. The capital is Andorra la Vella



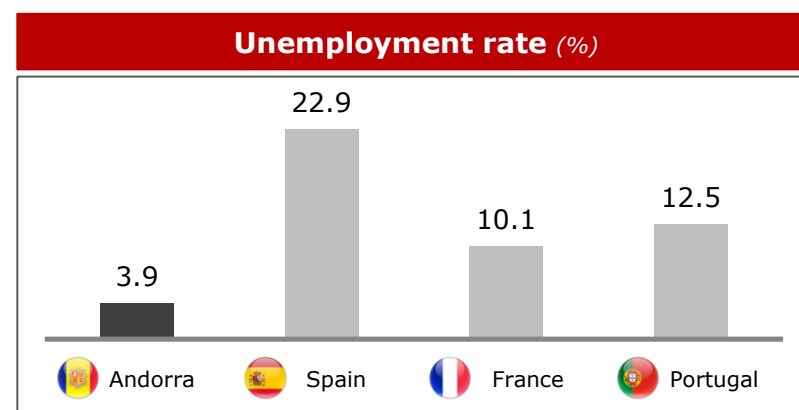
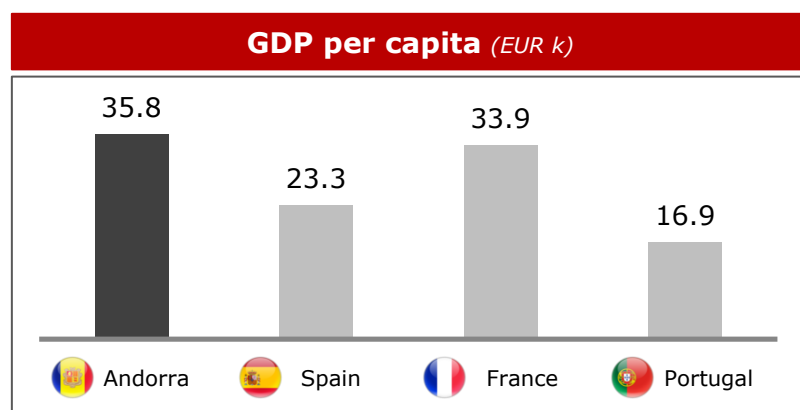
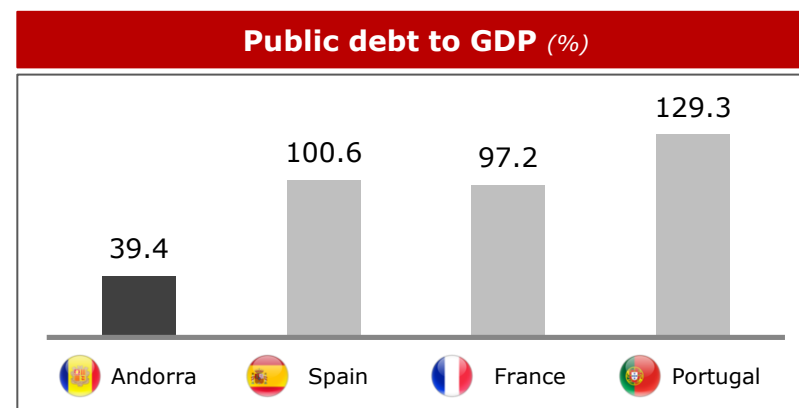
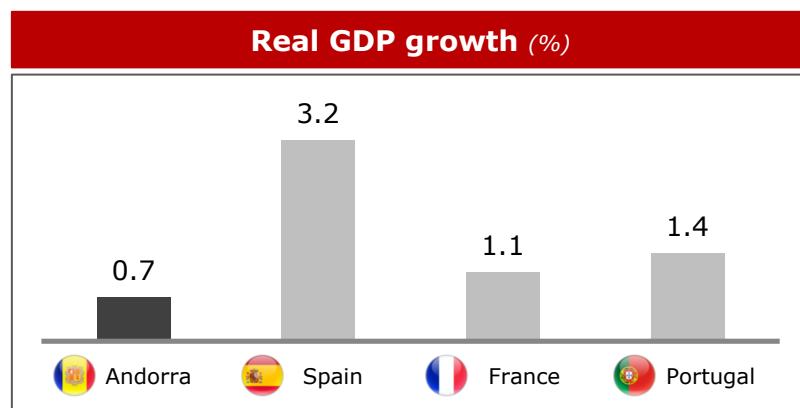
The total population is approximately **70.000 people** with strong levels of immigration from **Spain, France and Portugal**

Distribution of the population by nationality in 2015⁽¹⁾



(1) Source: Department of Statistics – Government of Andorra

1. Key macroeconomic data 2015⁽¹⁾



1. **1.8% 2016 GDP growth** and 2% 2017 YTD.

2. Central Government deficit has improved to -0.6% of GDP in 2016 whilst the General Government public account balance (including municipalities and social security) has shown moderate **surpluses**.

1. Andorra Fitch Report

Fitch Ratings has revised the Outlook on Andorra's Long-term Issuer Default Rating (IDR) to Positive from Stable. The Long-Term IDR is affirmed at 'BBB'. Fitch has also affirmed the Short-Term IDR at 'F3' and the Country Ceiling at 'A-'

Long-Term IDR	BBB
Outlook	Positive
Short-Term IDR	F3
Country ceiling	A-



Regulatory Improvements

- Andorra is on track to aligning regulation and information exchange with European and international standards by end-2017.



Banks' Resilience

- The banking sector has shown resilience against the fallout of the crisis that led to the liquidation of Banca Privada d'Andorra (BPA).



Positive Outlook

- Pick-up in growth forecast: available economic data point to moderate growth.
- Stronger-than-expected tax revenues in the second half of 2016.

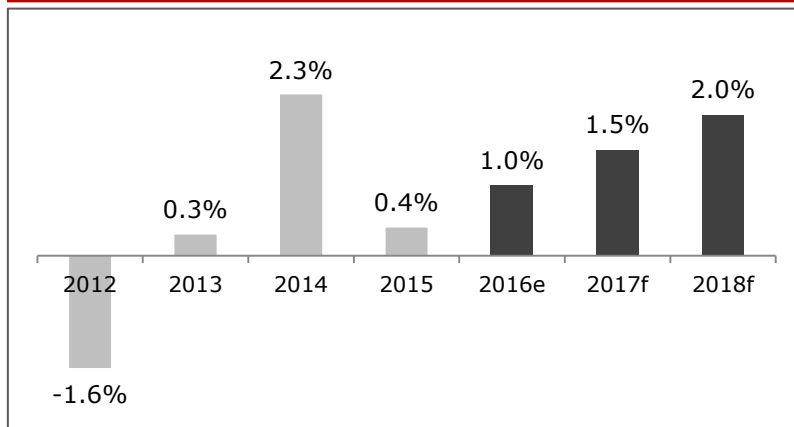


Public Debt Ratio Stabilising

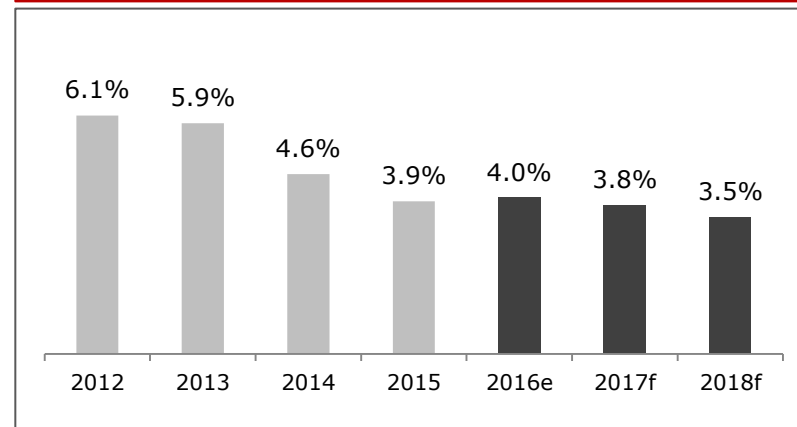
- The general government debt/GDP ratio was 40.5% at end-2016.
- Forecast are consistent with the government debt ratio falling just below 40% by 2018.

1. Fitch forecast summary

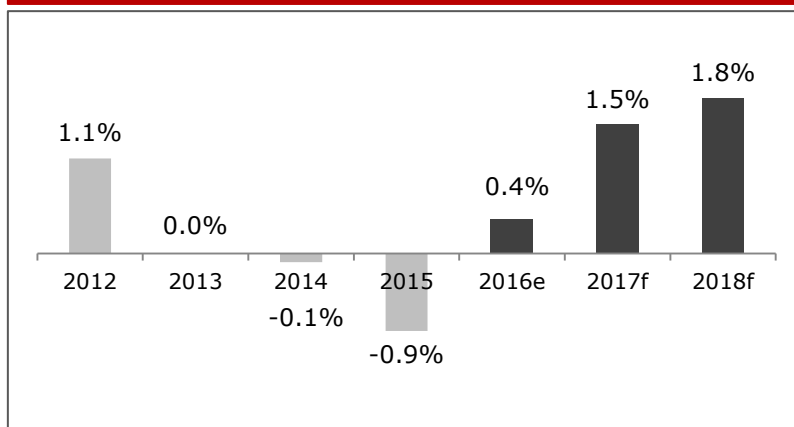
Real GDP growth (%)



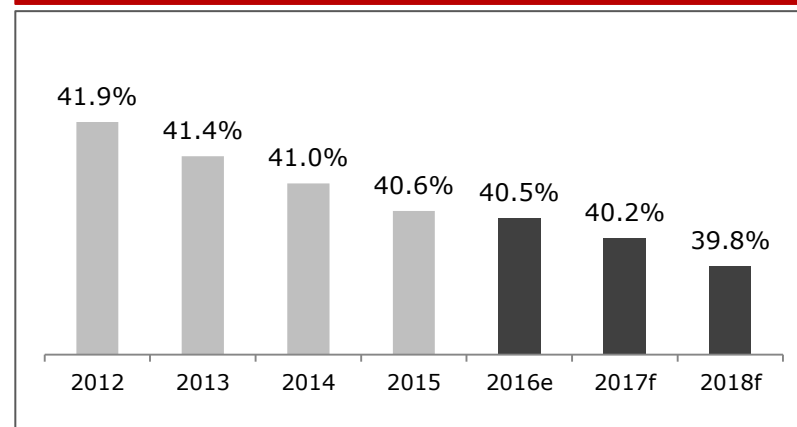
Unemployment (%)



Consumer prices (annual average % change)



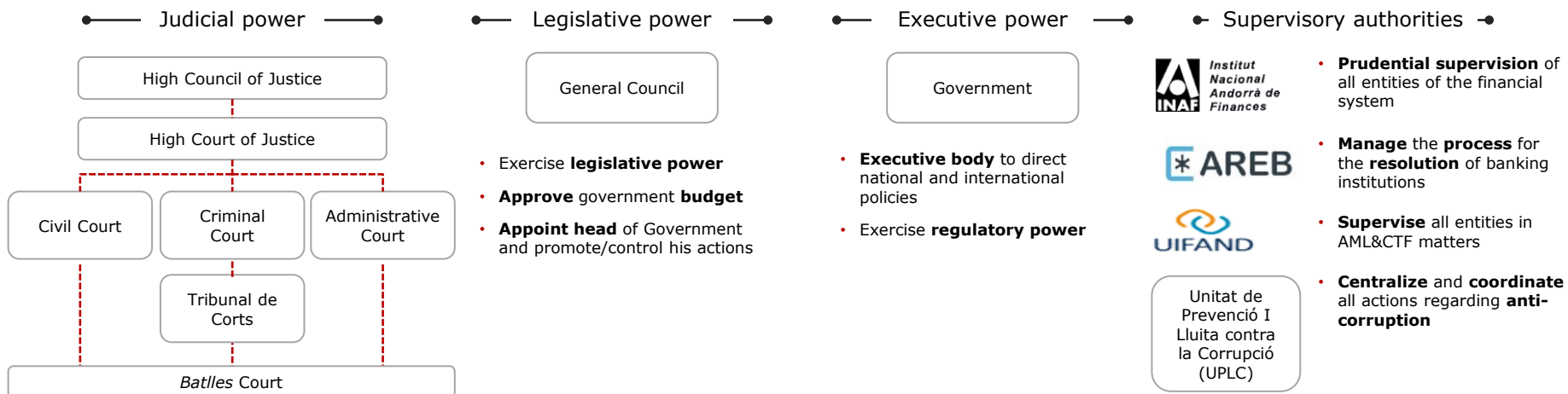
General government debt (% of GDP)



1. Regulatory framework

Andorra's political system is a Parliamentary co-principality (France & Spain)

Public institutions



Private sector associations

- Look after the **interests of the financial sector** and ensure its **representation** in all relevant **forums**



AAA⁽¹⁾

ADEFI⁽²⁾

Additional regulatory standards

- Subject to evaluation by **MONEYVAL**
- FATCA** compliant
- Signing of **Common Reporting Standards (CRS)** on automatic exchange of information.



(1) Associació d'Assegurances d'Andorra
(2) Associació d'Entitats Financeres d'Inversió

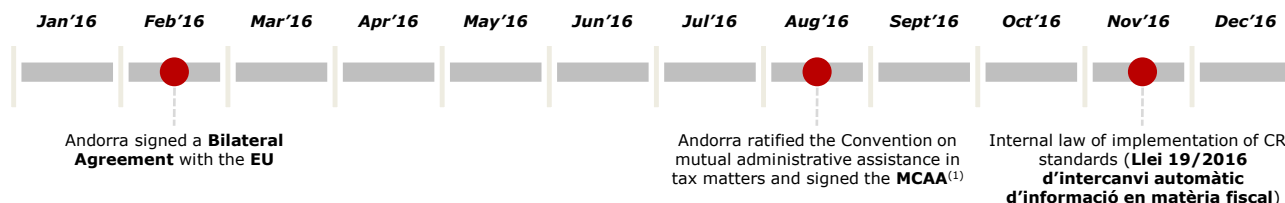
1. The way to transparency

Andorran authorities have implemented regulations leading to automatic exchange of information on financial accounts, and Andorran banks have adopted International Financial Reporting Standards (IFRS) for accounting purposes

CRS – Automatic exchange of information



OECD
COMMON
REPORTING
STANDARD



Since **January 1st 2017**, the Andorran authorities have implemented regulations that will lead to the **automatic exchange of information** on financial accounts **between Andorra and the EU**, and the exchange of information with **other countries** too

UE Countries				Other countries	
Austria	Estonia	Italy	Portugal	Australia	Monaco
Belgium	Finland	Latvia	Romania	Feroe Islands	Norway
Bulgaria	France	Lithuania	Slovakia	Gibraltar	S. Marino
Croatia	Germany	Luxembourg	Slovenia	Greenland	Switzerland
Cyprus	Greece	Malta	Spain	Iceland	South Africa
Czech Republic	Hungary	Netherlands	Sweden	Korea	UAE
Denmark	Ireland	Poland	UK	Liechtenstein	

International Financial Reporting Standards (IFRS)



Since **January 1st 2017**, Andorran financial institutions and banks have adopted **International Financial Reporting Standards** for accounting purposes.

(1) Multilateral Competent Authority Agreement

1. Regulatory developments

Banking

Key developments in **banking regulation**:

- Implementation of **MiFID** principles in Andorran regulation
- Implementation of **Basel III** principles in Andorran regulation
- A **new Director** has been appointed to lead the Andorran Regulator (**INAF**) with prior senior background in the Bank of Spain and Deloitte

Insurance

Key developments in **insurance regulation** currently under discussion within the regulatory authorities:

- New **Insurance Regulation Law**
- New **Insurance Distribution Law**
- New **Pension Funds Law**



New law on anti-money laundering⁽¹⁾

Intended to **incorporate** the most recent **GAFI / FATF recommendations** and the **new rules** established by the **4th EU Directive on AML**.



Modification of the Criminal Code

In order to include **money deriving from tax crime** as subject of money laundering offense.



Modification of the information exchange law

To include Andorran commitment with OECD in relation to **spontaneous and on-demand exchange of information**.

(1) Currently under discussion within the regulatory authorities

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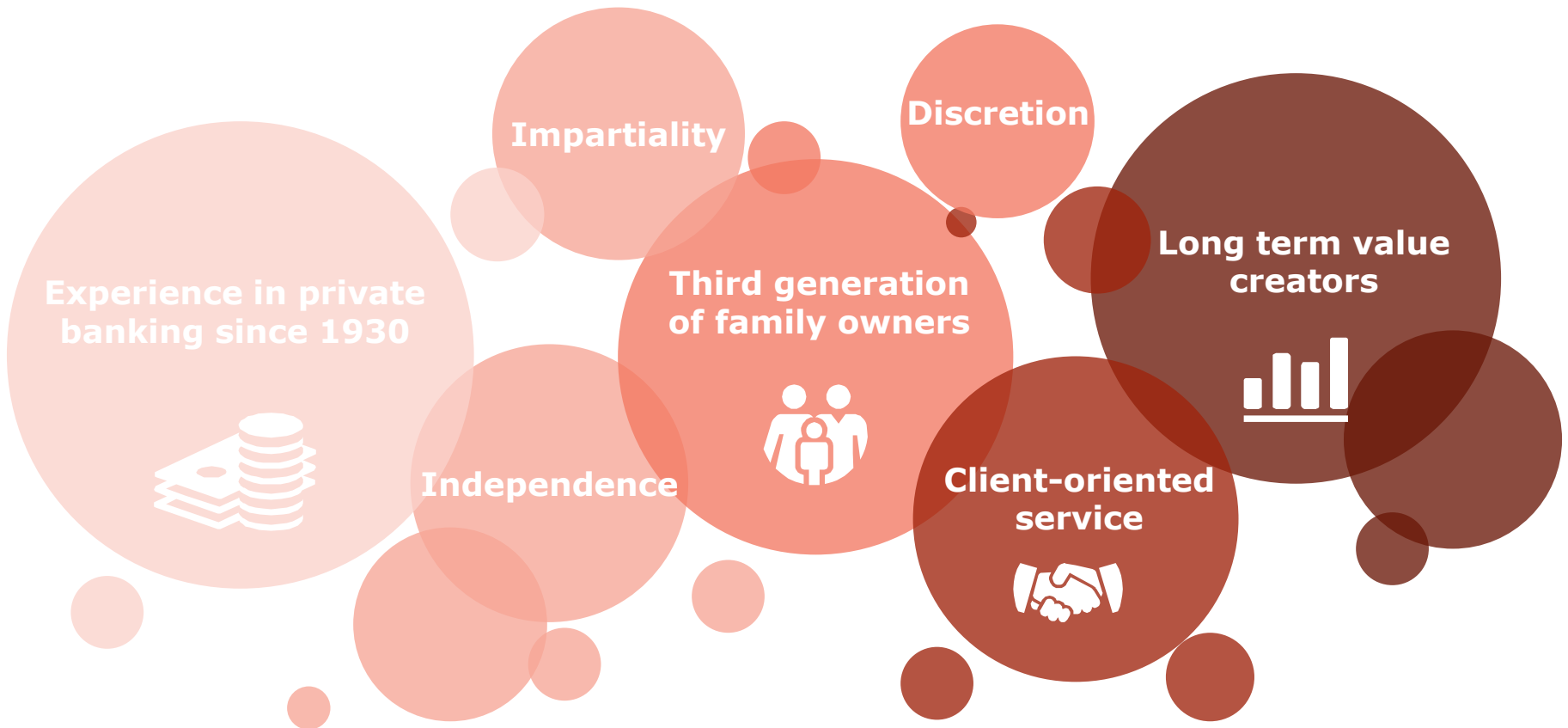
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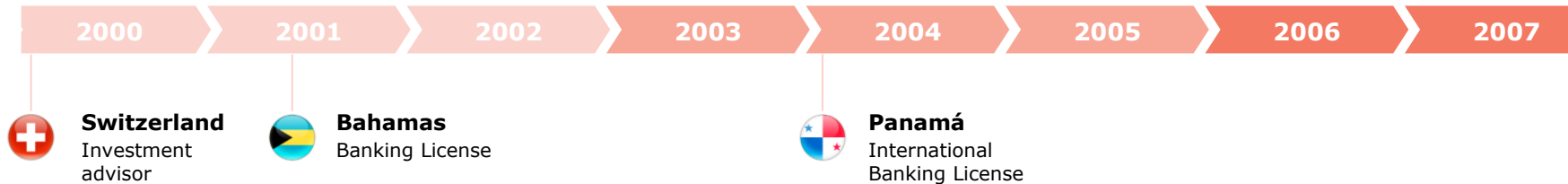
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2. Our values

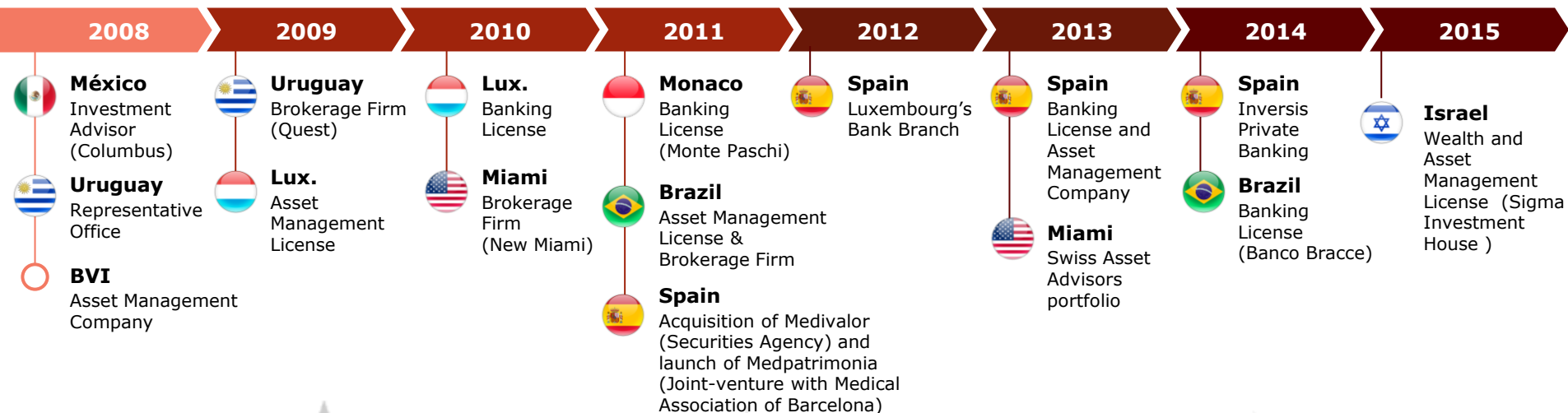


2. International expansion

 **Merger**
Banc Agrícola & Banca Reig



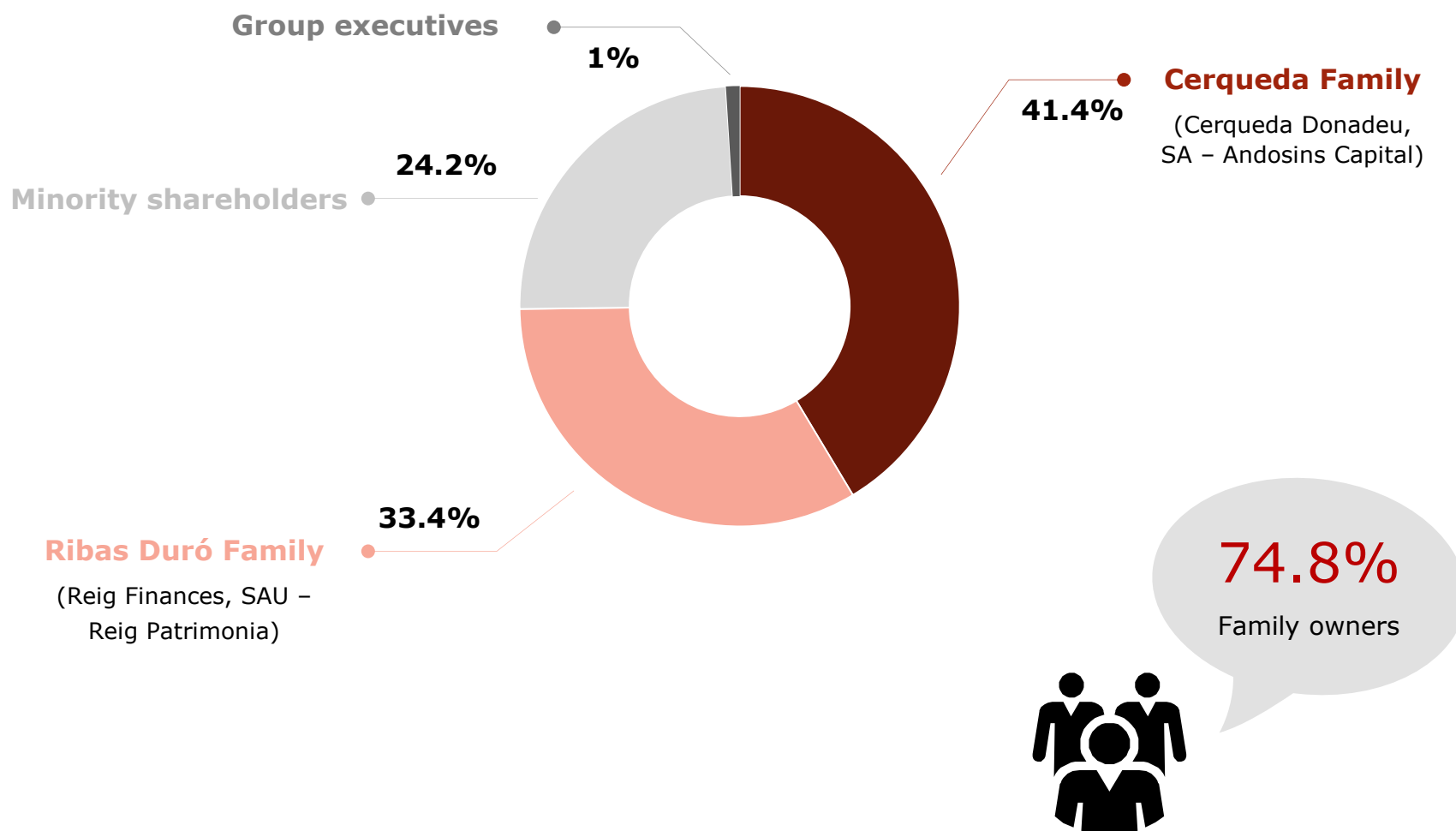
 **International expansion strategy**



2. Andbank worldwide



2. Shareholders structure



2. Governance structure



2. Key figures 2016⁽¹⁾

22 BN€

AUMs

BBB

Fitch Ratings⁽²⁾

206%

LCR

Stable

Outlook⁽²⁾

15.79%

TIER1 ratio⁽³⁾

3.47%

NPL ratio

13.55%

CET1⁽³⁾

13.20%

ROTE

576 MM€

Core Capital

7.15%

Leverage ratio

(1) Source: Andbank Annual Report 2016
(2) Confirmed in June 2017
(3) Under European regulation (CRR/CRD IV)

2. Solvency position

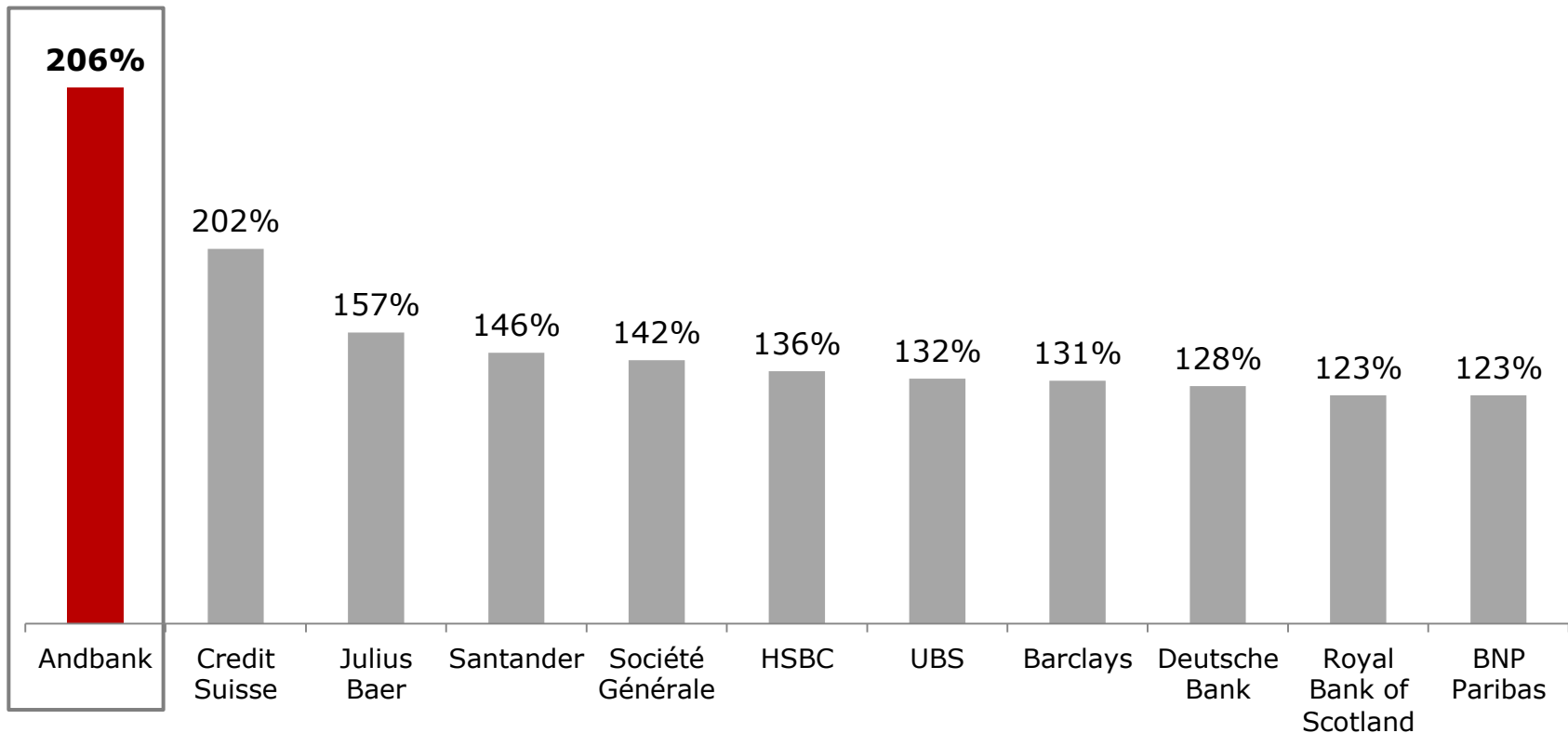
Andbank maintains a solid solvency position, significantly above minimum levels required by regulations with a leading position in the international market

Bank	CET1 (Dec'16)
Morgan Stanley	16.9%
UBS Group	16.8%
ING	14.2%
Andbank	13.6%
Credit Suisse	13.6%
Goldman Sachs	13.1%
Santander	12.5%
JP Morgan Chase	12.5%
Barclays	12.4%
BBVA	12.1%
Crédit Agricole	12.1%
Bank of America	12.1%

Bank	Leverage ratio (Dec'16)
Goldman Sachs	9.4%
Bank of America	8.9%
Morgan Stanley	8.4%
JP Morgan Chase	8.4%
Andbank	7.2%
BBVA	6.7%
UBS Group	6.4%
Santander	5.4%
Credit Suisse	5.1%
Crédit Agricole	5.0%
ING	4.7%
Barclays	4.6%

2. Liquidity position

Andbank has a strong liquidity position. As of December 2016, the Group's LCR ratio stood at 206%



(1) Source: Bloomberg, 21/06/2017

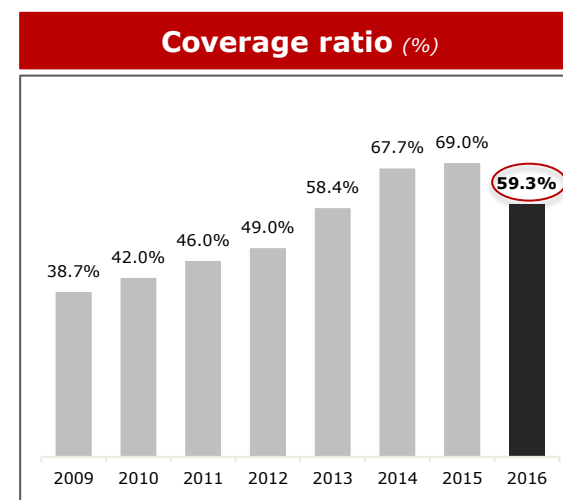
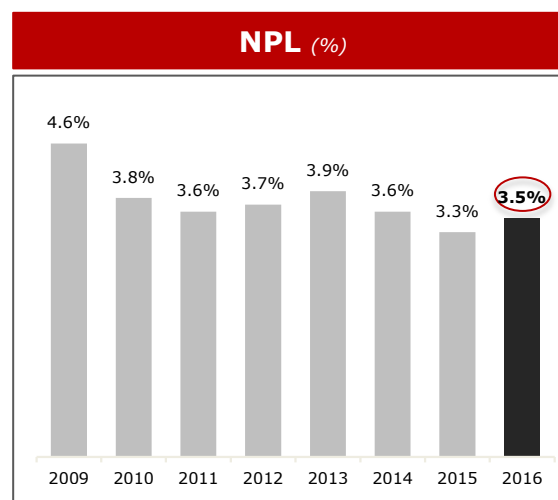
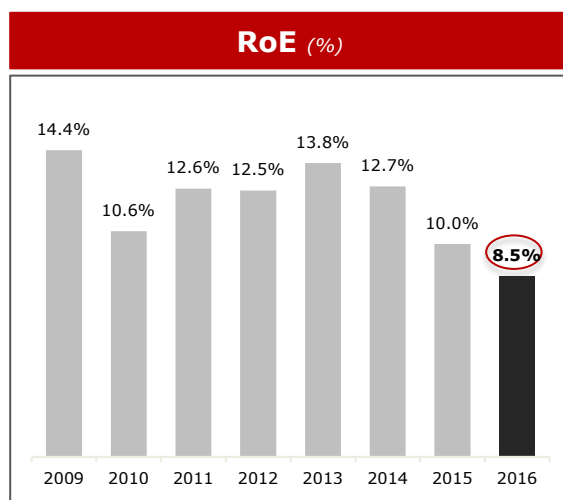
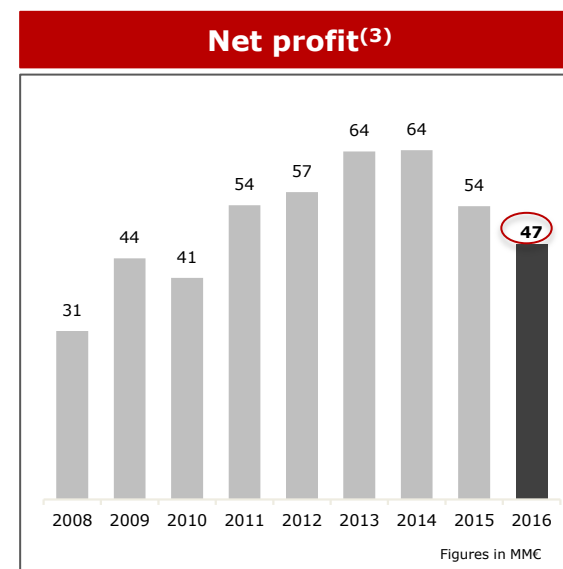
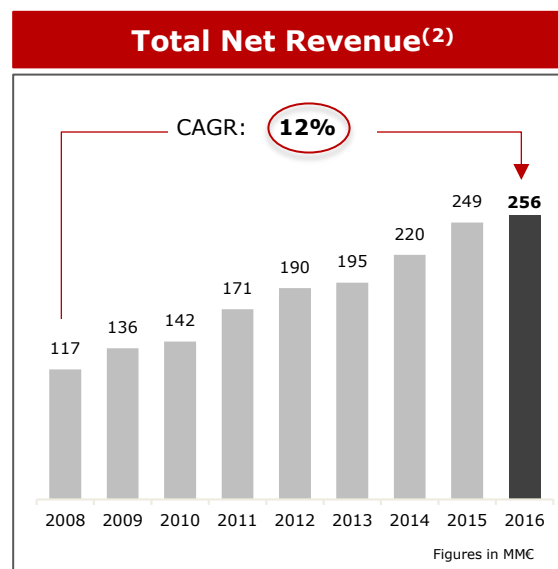
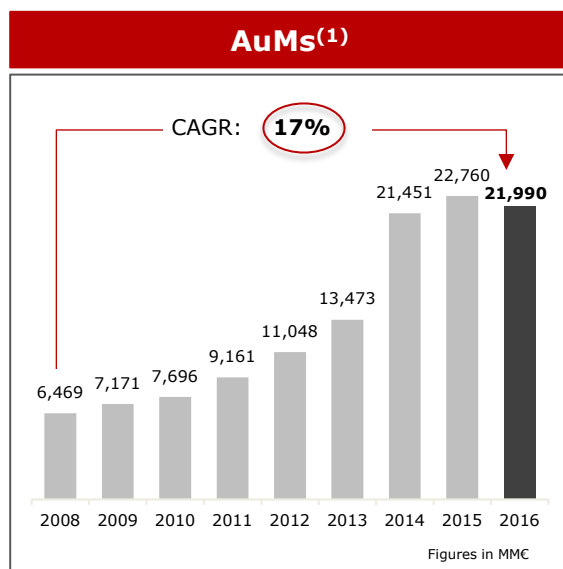
2. Soundness of Andbank's key ratios

	2009	2010	2011	2012	2013	2014	2015	2016
Assets (MM€)	2,949	3,205	3,368	3,701	4,043	4,898	5,064	4,995
RoA (%)⁽¹⁾	1.3	1.3	1.8	1.5	1.7	1.4	1.1	1.1
Cost-to-income (%)⁽¹⁾	50.7	51.4	54.5	54.9	55.7	60.5	75.6	74.7
Net profit (MM€)	44.4	40.8	54.2	56.6	64.1	64.3	54.0	47.0
Net equity (MM€)	341	415	443	446	482	539	552	576
RoE (%)⁽¹⁾	14.4	10.6	12.6	12.5	13.8	12.7	10.0	8.5
Liabilities (MM€)	1,623	1,638	1,712	1,825	1,768	1,854	1,817	1,747
NPL (%)⁽¹⁾	4.6	3.8	3.6	3.7	3.9	3.6	3.3	3.5
Coverage ratio (%)⁽¹⁾	38.7	42.0	46.0	49.0	58.4	67.7	69.0	59.3
Solvency ratio (%)⁽¹⁾⁽²⁾	20.2	22.3	22.6	21.4	20.7	16.7	20.7	24.6
Liquidity ratio (%)⁽¹⁾⁽²⁾	50.7	78.0	68.4	66.0	67.3	61.2	76.6	65.8

(1) 2016 pending audit confirmation

(2) Solvency and Liquidity ratios following and in accordance with the relevant regulation of the Principality of Andorra

2. Key figures evolution



(1) Assets under Management

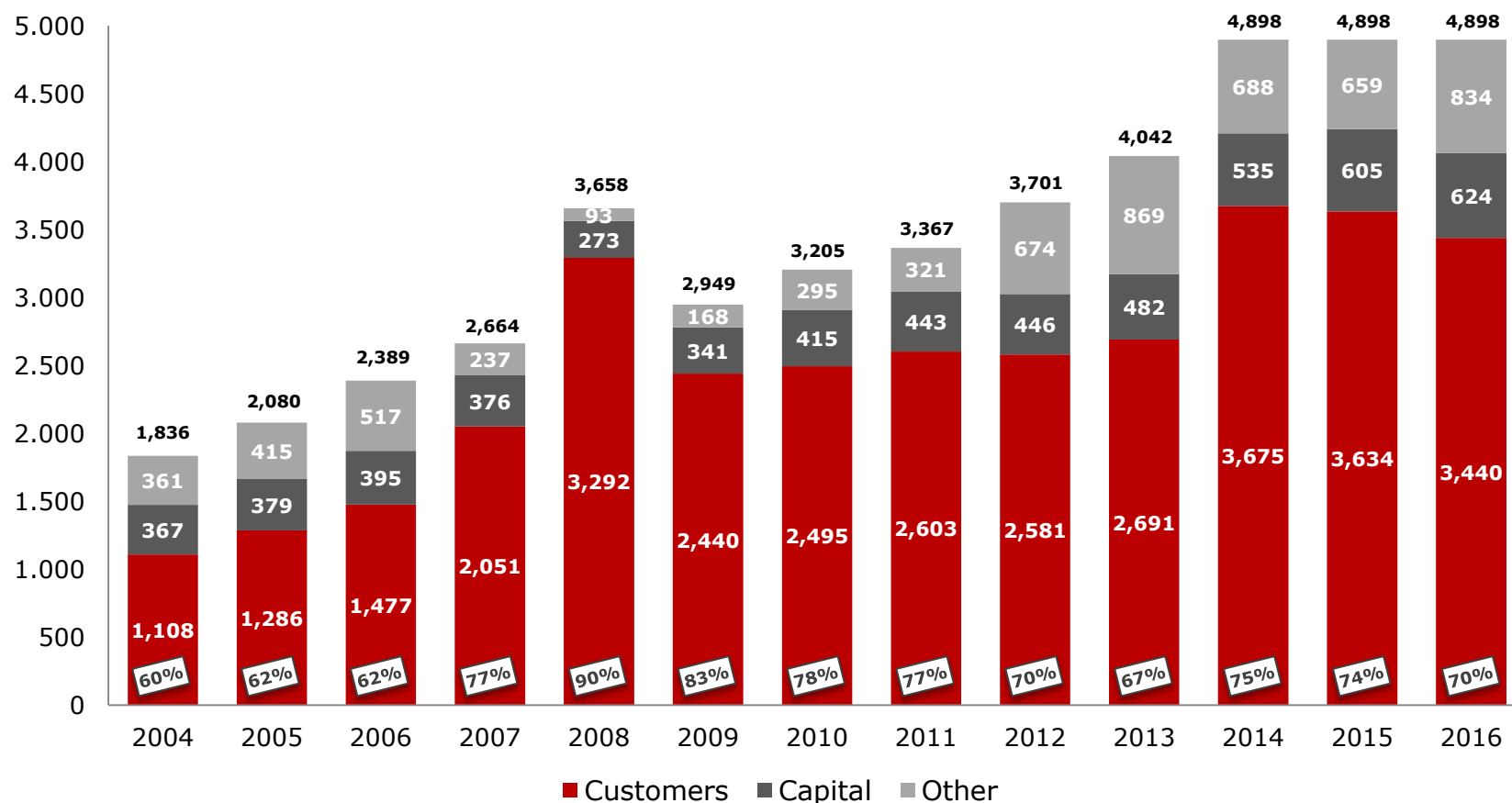
(2) Total Net Revenue = Net interest Income + Net fee and commission income + Net trading income + Other income

(3) Net Profit = Net Operating Income - Amortization - Taxes

(4) Source: Andbank Annual Reports

2. Independence from wholesale funding

Funding from clients and shareholders represents 70% of total liabilities at 2016. Other external funding mainly comes from repo transactions



2. Supervisory framework








Country	AUMs Dec'16 (€Bn)	Regulator		
Spain	6.6	<ul style="list-style-type: none"> Banco de España CNMV 	BANCODE ESPAÑA	
Luxembourg	2.2	<ul style="list-style-type: none"> CSSF 		
Israel	1.4	<ul style="list-style-type: none"> ISA Ministry of Finance 		
Mexico	1.4	<ul style="list-style-type: none"> CNBV 		
Monaco	0.8	<ul style="list-style-type: none"> Banque de France 		
Brazil	0.4	<ul style="list-style-type: none"> BACEN 		
USA	0.4	<ul style="list-style-type: none"> FINRA SEC 		
Other	8.6			
Total	21.8			

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1. Andorra Ratings

August 2017 **Fitch Ratings** has confirmed the Outlook on Andorra's Long-term Issuer Default Rating (IDR) with Positive Outlook. The Long-Term IDR is affirmed at 'BBB'. Fitch has also affirmed the Short-Term IDR at 'F3' and the Country Ceiling at 'A-'.

Fitch Ratings expects now a general government surplus of 3% of GDP in 2017 and GDP growth this year at 1,6%.

July 2017 **Standard & Poor`s** has improved Andorra's sovereign rating from "BBB- / A3" to "BBB / A2" and maintains a stable outlook. The rise of the rating shows a recovery of the country's economy after the crisis with the BPA Bank.

The agency notes the positive continuity of the country's policy in the reforms program and also notes positive developments may occur in the near future as a result of Andorra's negotiations with the International Monetary Fund and the negotiation of a Association Agreement with the EU.

2. Key figures June 2017

**22+ BN€
(+315 MM)**

AUMs

**BBB
Stable**

Fitch Ratings⁽²⁾

298%

LCR

23.6 MM

1H P&L

14.33%

TIER 1 RATIO

11.98%

CET1⁽³⁾

95.50%

Coverage ratio

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A. Profit & Loss Statement

Figures in MM€

	2009	2010	2011	2012	2013	2014	2015	2016
Net Interest Income	43	45	51	56	43	50	51	39
Interest revenue	84	62	79	97	112	141	146	136
Interest expense	-40	-17	-28	-41	-69	-90	-95	-97
Net fees and commission revenue	64	87	109	105	111	121	159	162
Net trading revenue	27	9	9	27	39	49	38	52
Other	1	1	1	1	1	0	1	2
Total net Revenue	136	142	171	190	195	220	249	256
Personnel expenses	-37	-40	-51	-60	-64	-79	-106	-105
G&A expenses	-32	-33	-37	-44	-34	-40	-63	-67
Amortization	-9	-10	-11	-9	-7	-11	-19	-19
Depreciation	0	0	-1	-5	-2	-4	-1	-3
Total operating expenses	-79	-83	-100	-117	-108	-134	-189	-194
Net operating income	58	58	70	72	86	86	60	61
Provisions & Extraordinary	-10	-18	-14	-11	-16	-15	-3	-8
Net operating income before tax	48	40	56	61	70	71	57	53
Tax expense	-4	1	-2	-4	-6	-7	-3	-6
Net profit	44	41	54	57	64	64	54	47

A. Balance Sheet Statement

Figures in MM€

	2009	2010	2011	2012	2013	2014	2015	2016
Interbank Deposits	360	455	452	579	616	1,310	1,107	1,595
Loans and receivables	1,594	1,611	1,684	1,793	1,728	1,854	1,817	1,747
Securities	801	949	940	994	1,147	1,170	1,646	1,150
Intangible assets	12	12	47	48	54	212	235	252
Tangible assets	114	117	129	134	147	167	93	104
Prepayments & accrued income	30	26	47	57	38	50	49	43
Other assets	37	35	69	96	313	136	116	103
Total Assets	2,949	3,205	3,368	3,701	4,043	4,898	5,064	4,995
Customer Funds & Repos	2,551	2,709	2,762	3,031	3,334	4,106	4,129	3,997
Debt securities	0	23	9	68	81	66	174	160
General risks reserve	10	9	16	14	17	21	20	20
Accrued expenses & deferred inc	22	17	23	24	26	34	41	44
Subordinated liabilities							50	50
Other liabilities	26	32	115	118	102	132	98	150
Share capital	78	78	78	78	79	79	79	79
Reserves	218	297	311	330	357	396	419	448
Profit	44	41	54	38	46	64	54	47
Net Equity and Total Liabilities	2,949	3,205	3,368	3,701	4,043	4,898	5,064	4,995

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