

ANDBANK /  
*Private Bankers*



# **Andbank Investor Presentation**

*February 2018*

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## **1. Overview of Andorra**

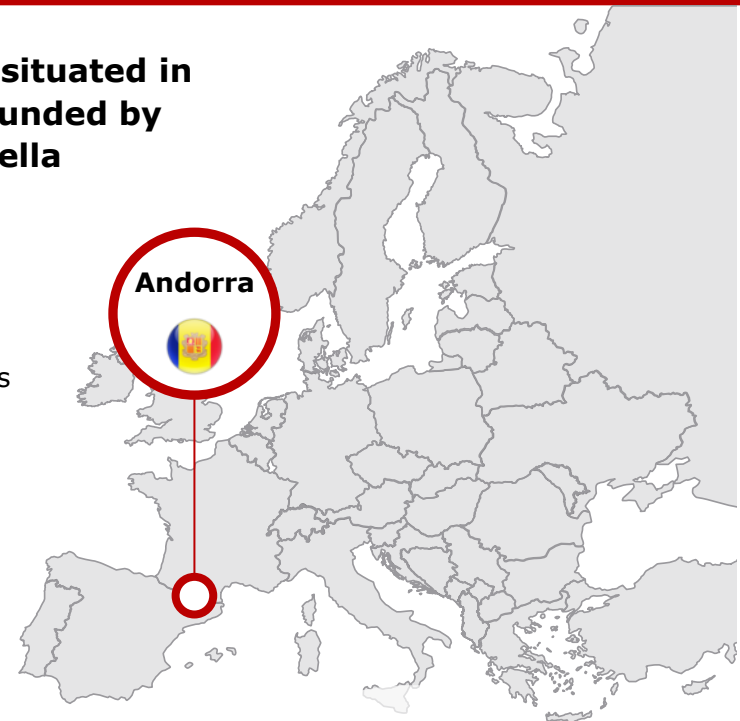
**2.** Andbank at a glance

**3.** Latest developments

**A.** Appendix

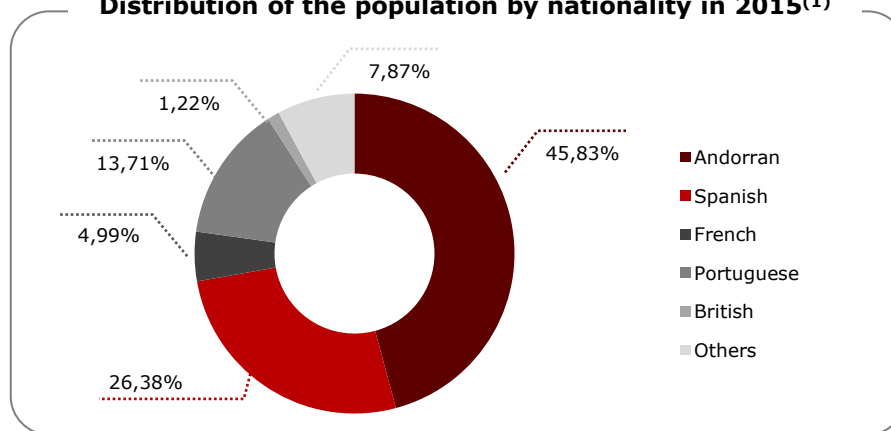
# 1. Geographic and demographic information

**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**

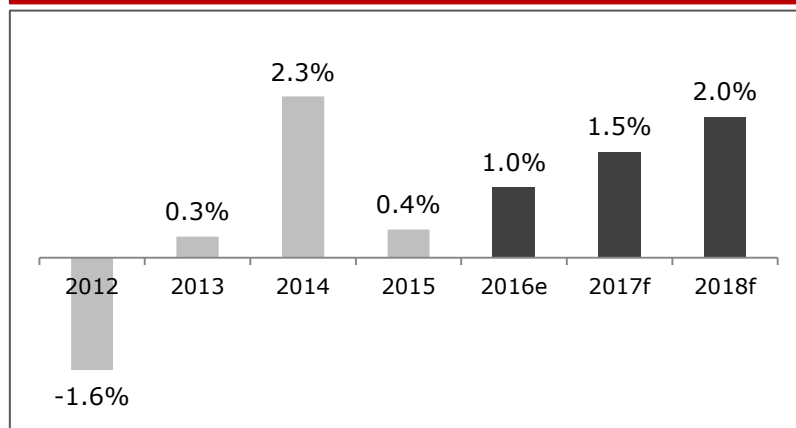
**Distribution of the population by nationality in 2015<sup>(1)</sup>**



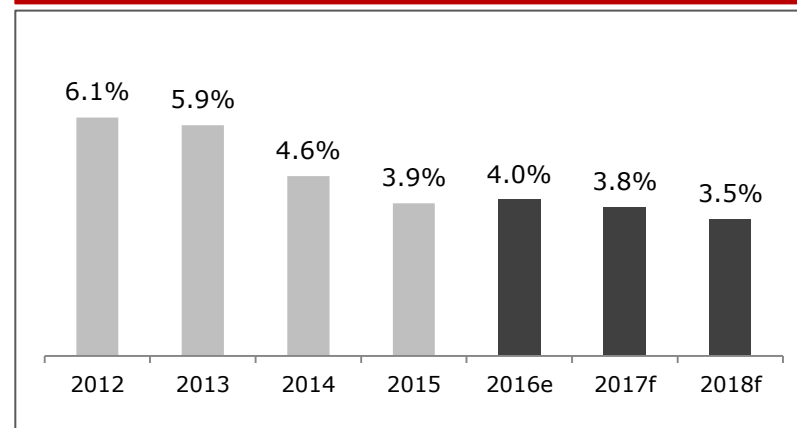
(1) Source: Department of Statistics – Government of Andorra

# 1. Fitch forecast summary

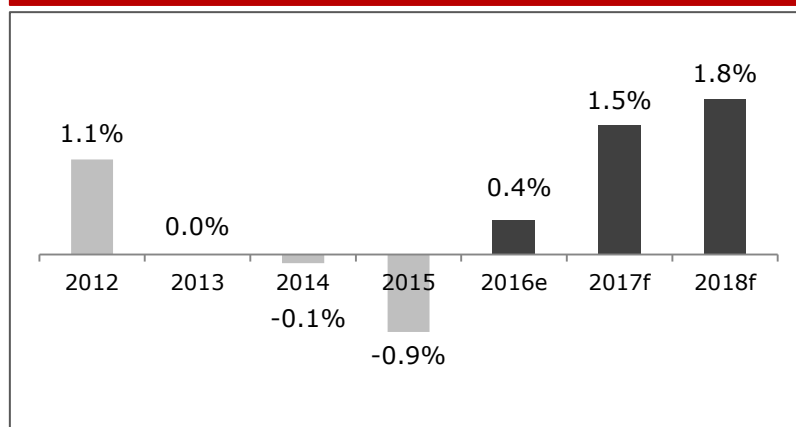
**Real GDP growth (%)**



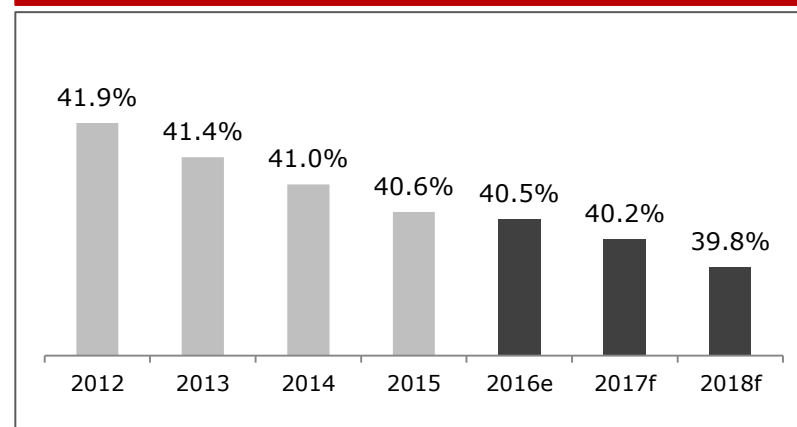
**Unemployment (%)**



**Consumer prices (annual average % change)**



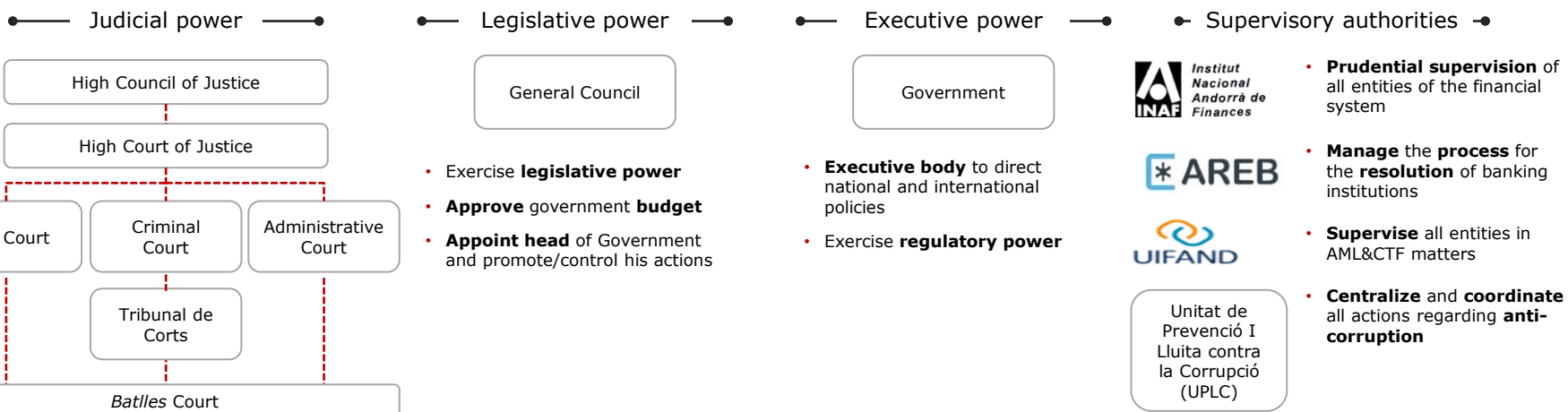
**General government debt (% of GDP)**



# 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<sup>(1)</sup>

ADEFI<sup>(2)</sup>

## 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

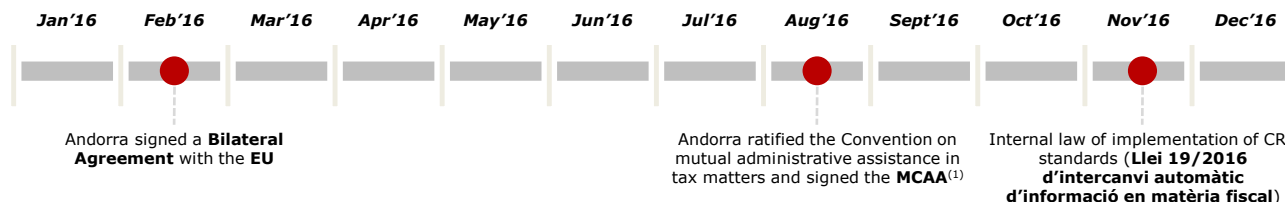
# 1. The way to transparency

**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 1<sup>st</sup> 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 1<sup>st</sup> 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<sup>(1)</sup>**

Intended to **incorporate** the most recent **GAFI / FATF recommendations** and the **new rules** established by the **4<sup>th</sup> 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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**2. Andbank at a glance**

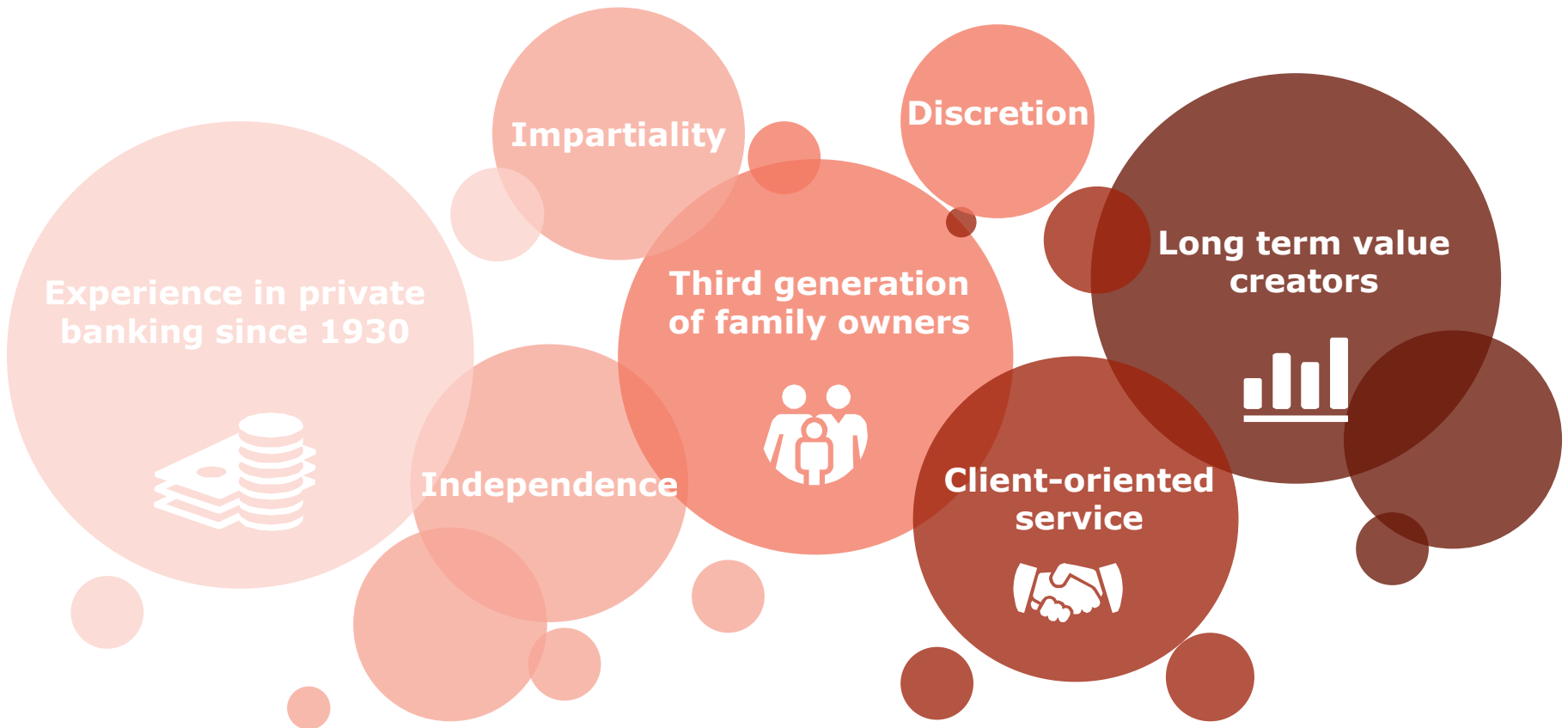
**3.** latest developments

**A.** Appendix



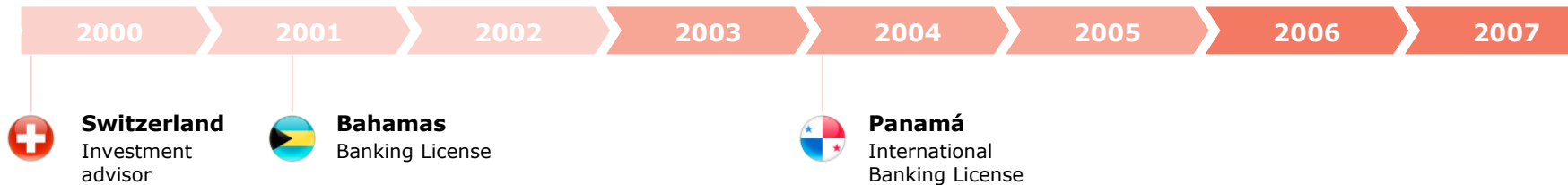
## 2. Our values

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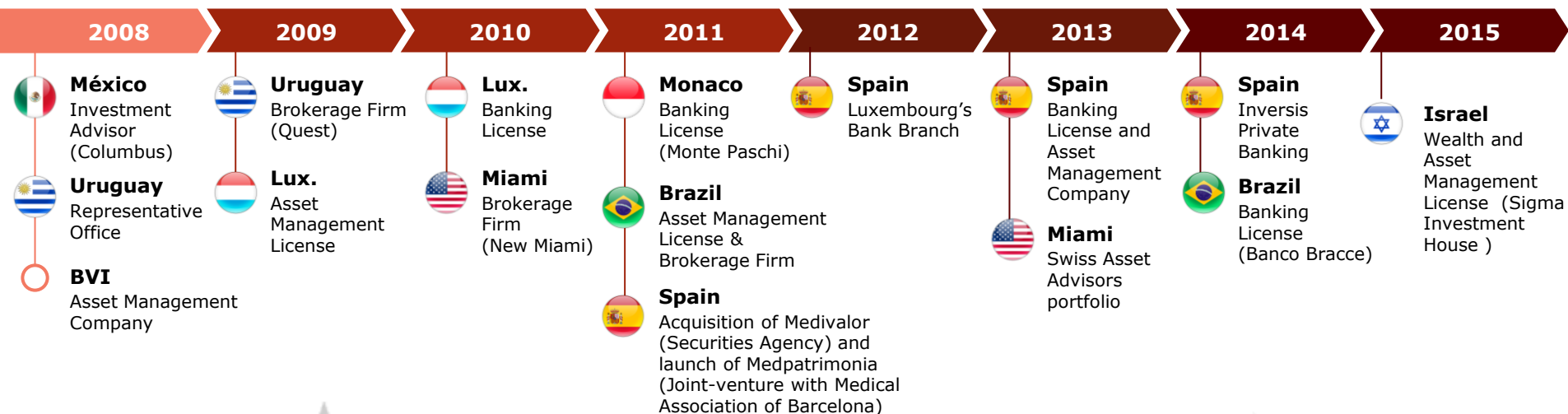


## 2. International expansion

 **Merger**  
Banc Agrícola & Banca Reig



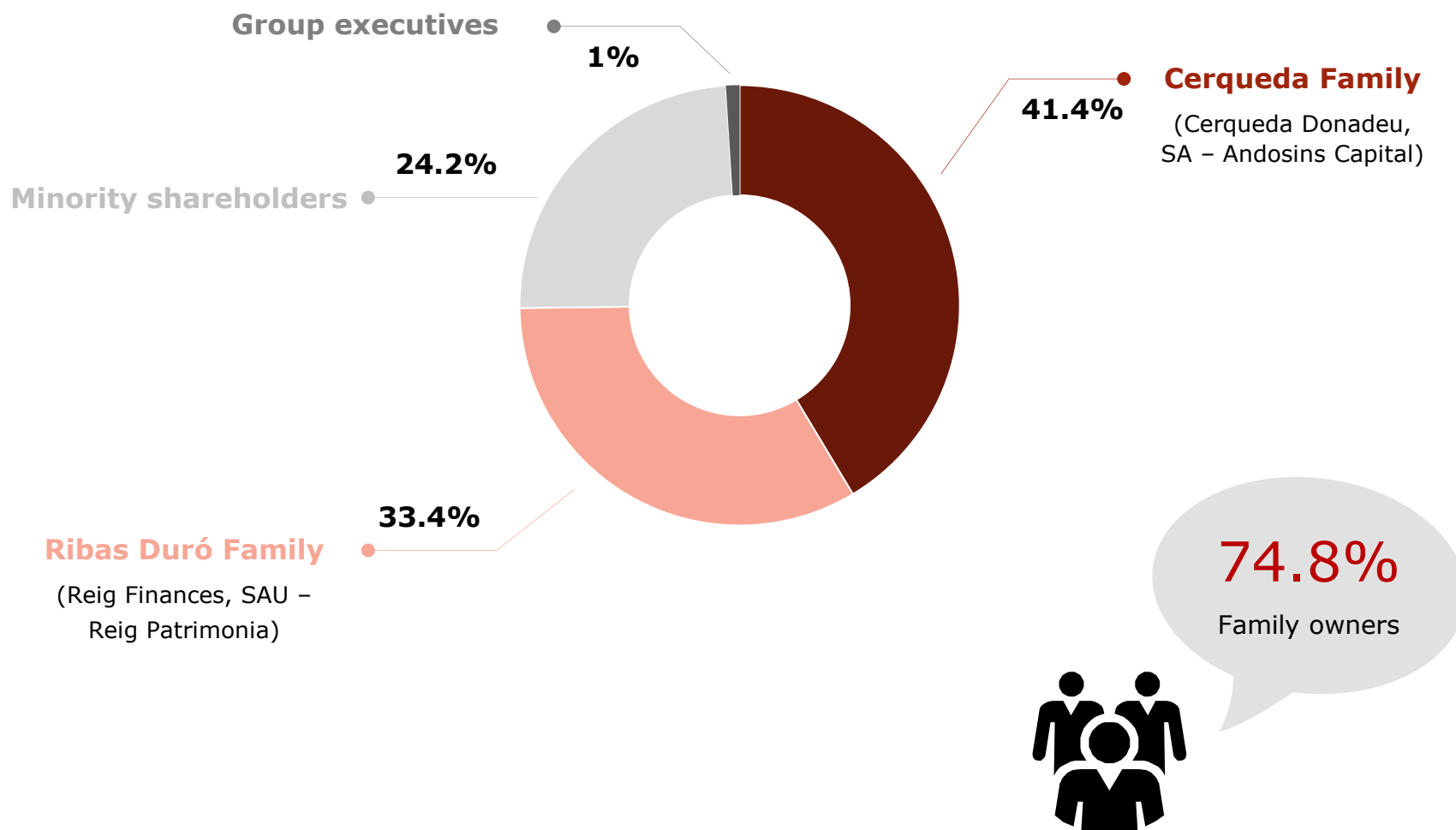
 **International expansion strategy**



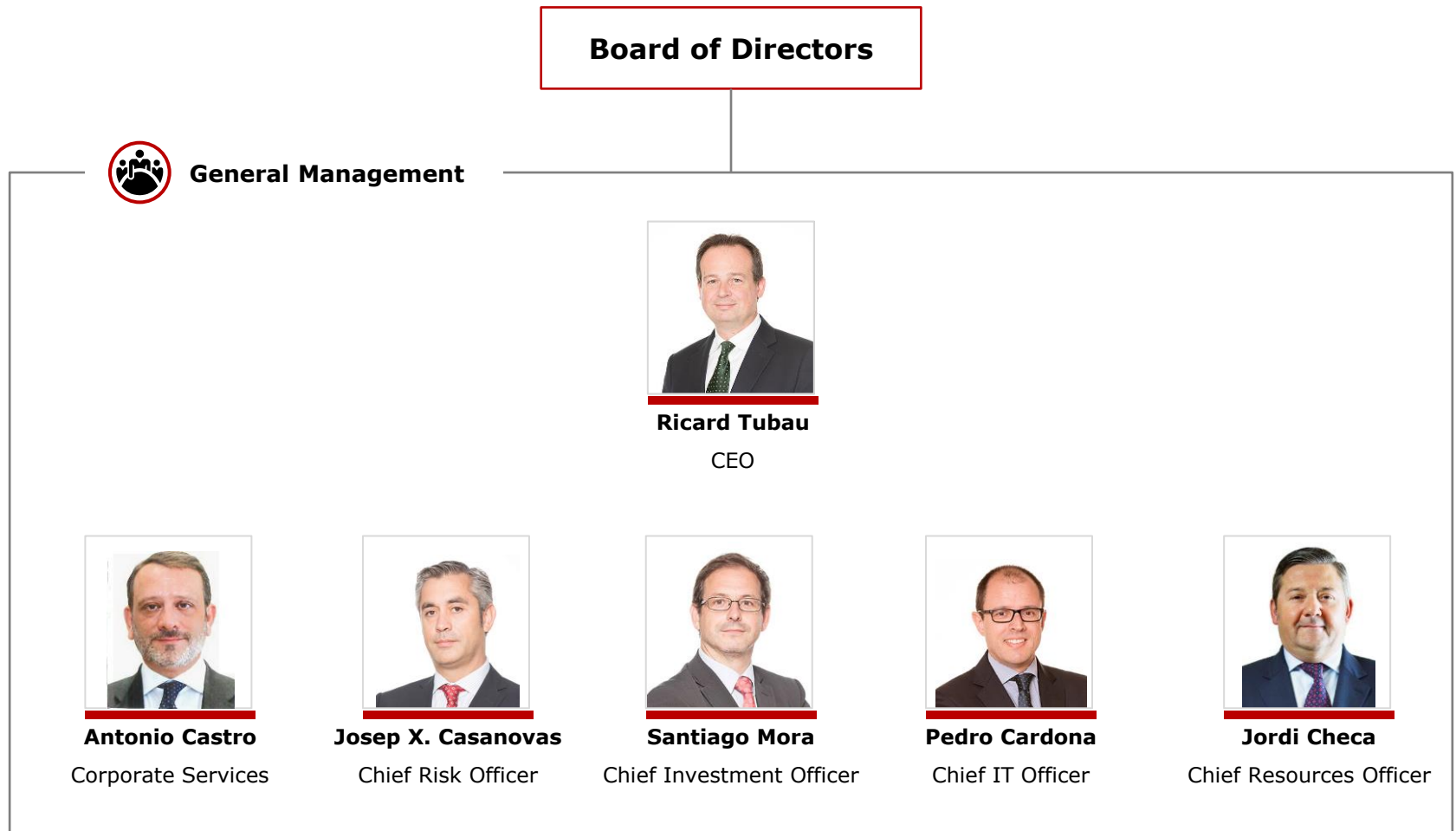
## 2. Andbank worldwide



## 2. Shareholders structure



## 2. Governance structure



## 2. Solvency position

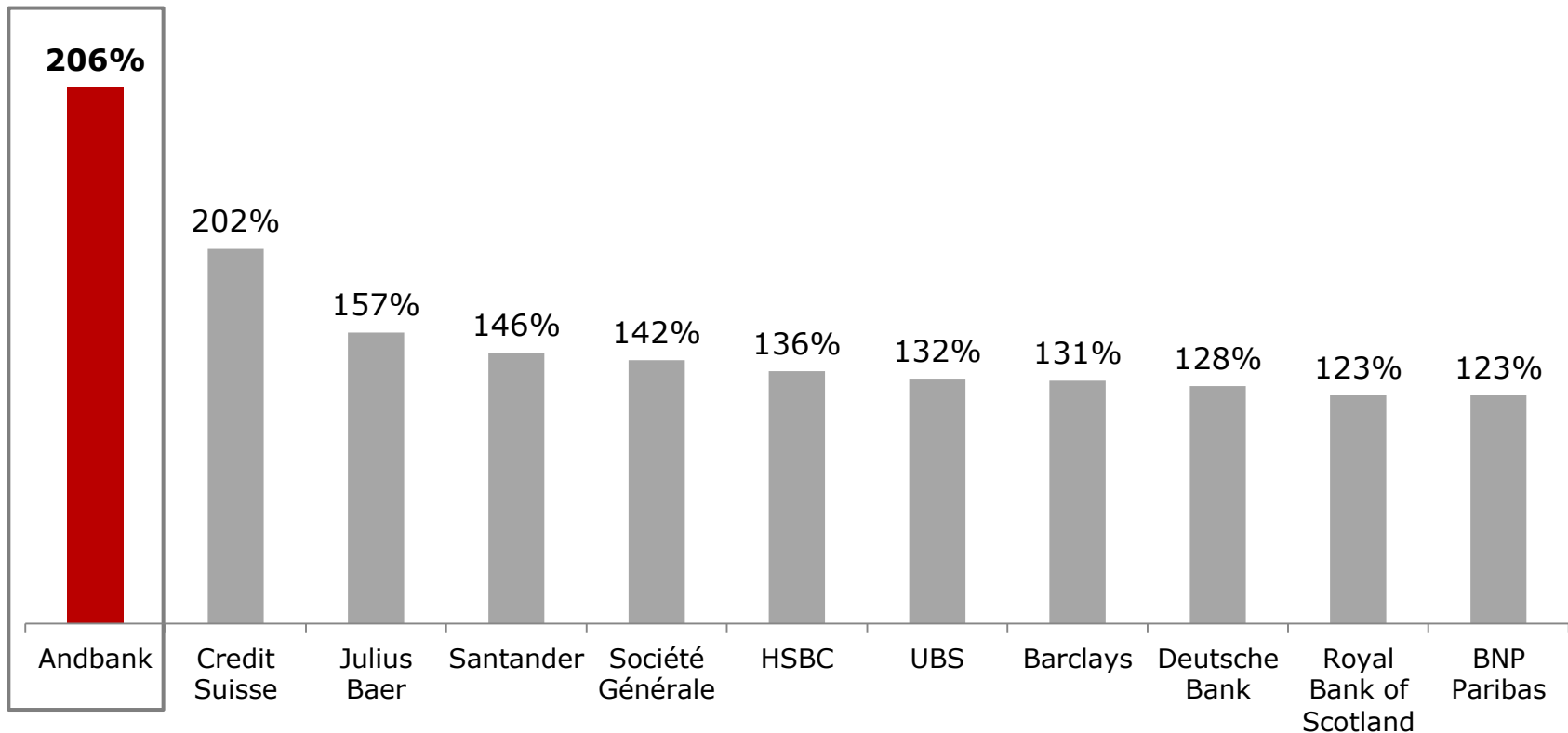
**Andbank maintains a solid solvency position, significantly above minimum levels required by regulations with a leading position in the international market**

Bank	CET1 (Dec'16)
Morgan Stanley	16.9%
UBS Group	16.8%
ING	14.2%
<b>Andbank</b>	<b>13.6%</b>
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%
<b>Andbank</b>	<b>7.2%</b>
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%**



## 2. Soundness of Andbank's key ratios

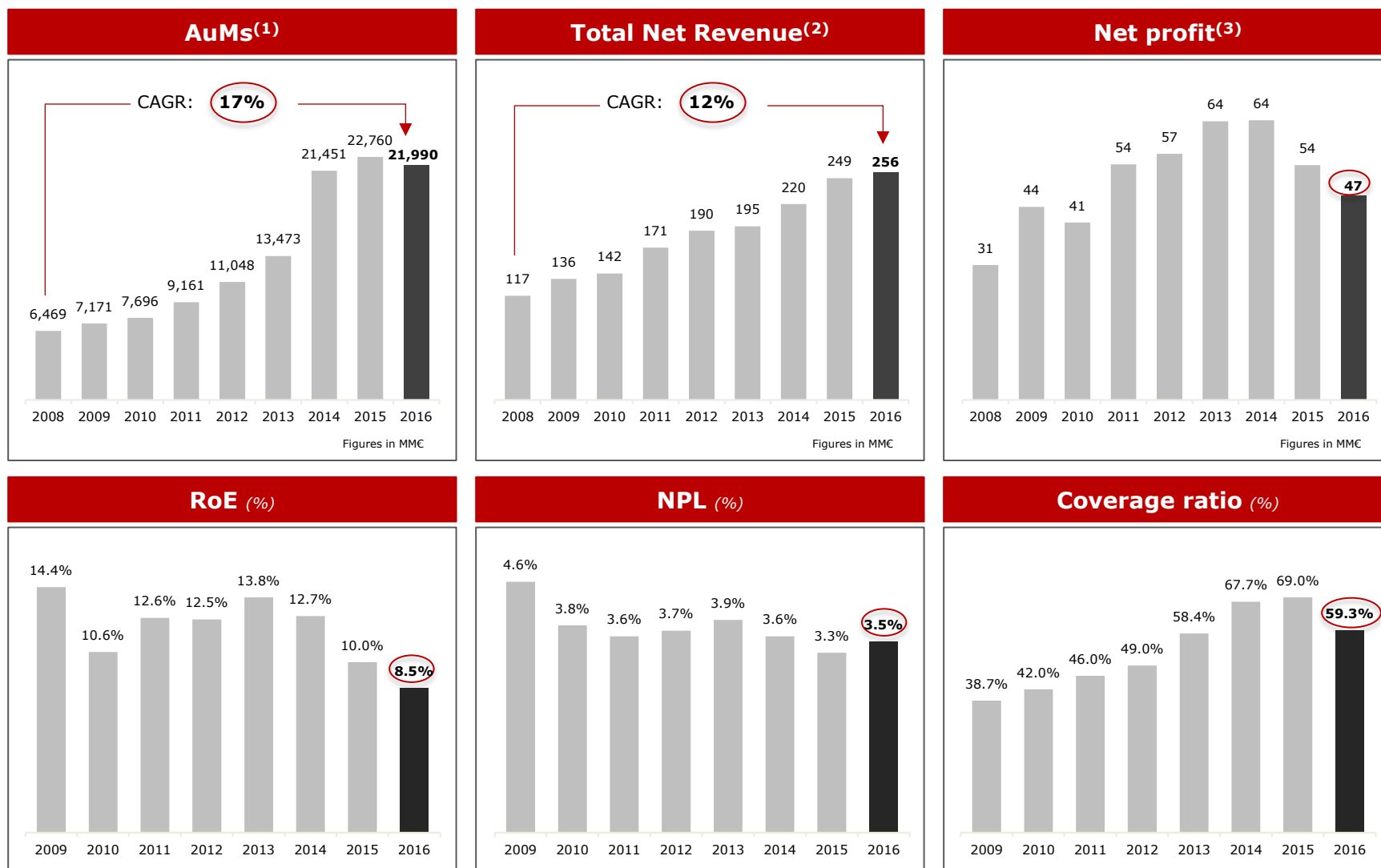
	2009	2010	2011	2012	2013	2014	2015	2016
<b>Assets (MM€)</b>	2,949	3,205	3,368	3,701	4,043	4,898	5,064	4,995
<b>RoA (%)<sup>(1)</sup></b>	1.3	1.3	1.8	1.5	1.7	1.4	1.1	1.1
<b>Cost-to-income (%)<sup>(1)</sup></b>	50.7	51.4	54.5	54.9	55.7	60.5	75.6	74.7
<b>Net profit (MM€)</b>	44.4	40.8	54.2	56.6	64.1	64.3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

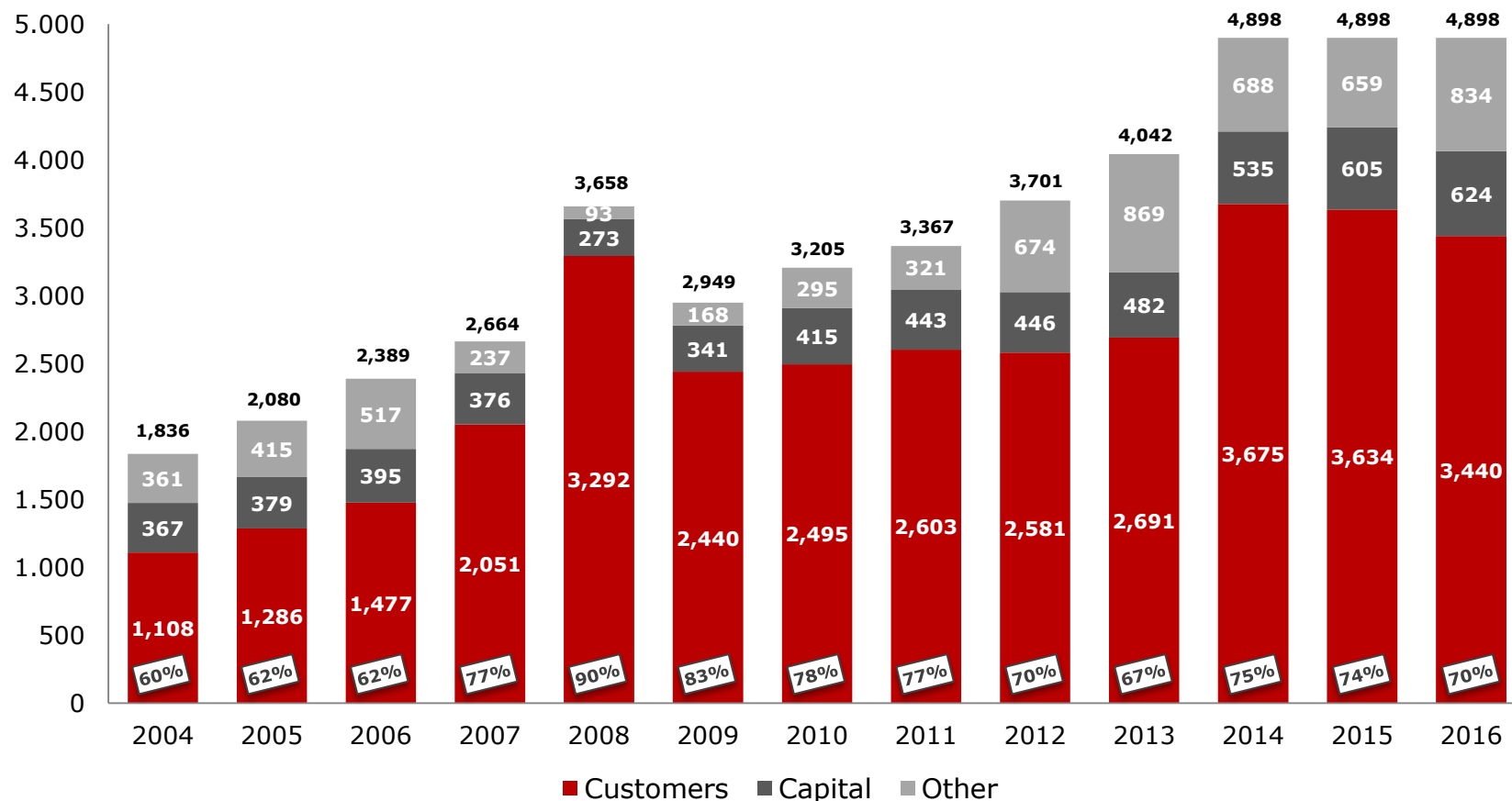
(2) Total Net Revenue = Net interest Income + Net fee and commission income + Net trading income + Other income

(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"> <li>Banco de España</li> <li>CNMV</li> </ul>	BANCODE ESPAÑA	
Luxembourg	2.2	<ul style="list-style-type: none"> <li>CSSF</li> </ul>		
Israel	1.4	<ul style="list-style-type: none"> <li>ISA</li> <li>Ministry of Finance</li> </ul>		
Mexico	1.4	<ul style="list-style-type: none"> <li>CNBV</li> </ul>		
Monaco	0.8	<ul style="list-style-type: none"> <li>Banque de France</li> </ul>		
Brazil	0.4	<ul style="list-style-type: none"> <li>BACEN</li> </ul>		
USA	0.4	<ul style="list-style-type: none"> <li>FINRA</li> <li>SEC</li> </ul>		
Other	8.6			
<b>Total</b>	<b>21.8</b>			

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## 2. Key figures June 2017

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**22+ BN€  
(+315 MM)**

AUMs

**BBB  
Stable**

Fitch Ratings<sup>(2)</sup>

**298%**

LCR

**23.6 MM**

1H P&L

**14.33%**

TIER 1 RATIO

**11.98%**

CET1<sup>(3)</sup>

**95.50%**

Coverage ratio

# 1. Andorra Ratings

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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.

January 2018 **Standard & Poor`s** has affirmed ratings at "BBB / A2", Outlook Stable. Next revision is expected by Summer 2018.

# 1. Andorra – what to expect in 2018

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The country is currently applying to be a member of the **International Monetary Fund**. Conversations are well advanced and the Minister of Finance expects Andorra to be a full member by early 2019. When that happens Andorra will have access to a Lender of Last Resort.

By the end of January 2018 Govern d'Andorra started a new round of negotiations with the **European Union** in order to close a Partnership Agreement, this should be similar to those of Switzerland or Norway. Yet, at this point in time it is still very difficult to talk about timing though 2019 seems to be the most likely outcome.

**Moneyval 5** will have a new round by December 2019 and Andorra will have bettered its merits from December 2018.

The Country also expects to be **out of the Grey EU / Ecofin list** as there is only one single point pending, the modification of the Andorra Corporate Tax which is already at the Andorran Parliament with all of the political groups in favor of it.

# 1. Andorra News Feb 2018

20180215 (2).pdf - Adobe Reader

Archivo Edición Ver Ventana Ayuda

**BONDIA**

Tirada: 11.314 Categoría: Andorra  
 Difusión: 11.000 Edición: General  
 Audiencia: 33.000 Página: 10

15/02/2018

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AREA (cm2): 271,9
OCUPACION: 43,6%
V.PUB.: 475€
SECTOR BANCARIO ANDORRA

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Organismes internacionals

## El Govern demanarà l'ingrés al Fons Monetari Internacional en 15 dies

Un cop formalitzada oficialment la sol·licitud el procediment pot perllongar-se fins a un any

**M.S.**  
ANDORRA LA VELLA

Andorra formalitzarà la sol·licitud per entrar com a membre de ple dret al Fons Monetari Internacional (FMI) en els propers quinze dies. Així li ha avançat el ministre de Finances, Jordi Cinca, al secretari de nous ingressos de l'FMI, Tom R. Rumbough, amb qui s'ha reunit aprofitant la seva estada als Estats Units, i així ho va explicar ahir el ministre Xavier Espot, que va exercir ahir de portaveu de l'executiu en absència de Cinca.

Així, segons va relatar Espot, la setmana vinent es completarà la documentació necessària per fer aquesta petició perquè durant les properes setmanes es pugui formalitzar oficialment. Un cop fet aquest pas, el procediment d'ingrés al Fons Monetari Internacional es pot perllongar fins a un any, de manera que no seria fins al primer semestre del 2019 que el Principat podria esdevenir membre



de ple dret de l'FMI.

En la trobada, en què es van concretar aspectes relacionats amb el contingut de la sol·licitud d'ingrés d'Andorra, el titular de Finances va explicar el procés de reformes econòmiques i financeres que el país ha dut a terme en els darrers anys. En aquest sentit, Cinca va manifestar que la participació d'Andorra a l'FMI s'alinearia en la política de participació amb altres organismes internacionals, com el Moneyval o el Global Forum (OCDE). També va afegir que l'aproximació d'Andorra al Fons Monetari Internacional pot oferir una major estabilitat i credibilitat al sistema financer al Principat.

En aquesta mateixa línia, Espot va defensar també la importància que l'entrada en un organisme d'aquestes característiques tindrà també per a les agències de qualificació creditícia, i es va mostrar convençut que les avaluacions que poguessin fer Fitch Ratings o Standard

& Poor's del país un cop formés part de l'FMI serien "millors que les actuals".

Pel que fa a les contrapartides que pogués comportar l'entrada d'Andorra al Fons Monetari Internacional, Espot va descartar que hi pogués haver requeriments quant a l'adopció i implementació de polítiques concretes, ja que la feina feta els darrers anys ja va en la línia per poder demanar l'adhesió a aquest organisme, tot i que sí que va admetre que "hi haurà evidentment un cost econòmic", però que no va quantificar.

En aquest sentit, cal recordar que, en un sessió del Consell General el maig del 2016, el cap de Govern, Antoni Martí, va advertir que l'entrada a l'FMI tindria "un cost pel cap baix de 30 milions d'euros", tot i que va defensar formar-ne part "per la credibilitat internacional que donaria a Andorra". I és que l'organisme compta actualment amb 189 països, entre els quals, San Marino, Luxemburg i Suïssa.

El ministre Cinca, que anava acompanyat de la secretària d'Estat d'Afers Financers Internacionals, Claudia Cornella, i de l'ambaixadora d'Andorra als Estats Units, Elisenda Vives, també va dur a terme una visita oficial a la seu del Banc Mundial a Washington.



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## **A. Appendix**

## 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
<b>Total net Revenue</b>	<b>136</b>	<b>142</b>	<b>171</b>	<b>190</b>	<b>195</b>	<b>220</b>	<b>249</b>	<b>256</b>
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
<b>Total operating expenses</b>	<b>-79</b>	<b>-83</b>	<b>-100</b>	<b>-117</b>	<b>-108</b>	<b>-134</b>	<b>-189</b>	<b>-194</b>
<b>Net operating income</b>	<b>58</b>	<b>58</b>	<b>70</b>	<b>72</b>	<b>86</b>	<b>86</b>	<b>60</b>	<b>61</b>
Provisions & Extraordinary	-10	-18	-14	-11	-16	-15	-3	-8
<b>Net operating income before tax</b>	<b>48</b>	<b>40</b>	<b>56</b>	<b>61</b>	<b>70</b>	<b>71</b>	<b>57</b>	<b>53</b>
Tax expense	-4	1	-2	-4	-6	-7	-3	-6
<b>Net profit</b>	<b>44</b>	<b>41</b>	<b>54</b>	<b>57</b>	<b>64</b>	<b>64</b>	<b>54</b>	<b>47</b>

## 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
<b>Total Assets</b>	<b>2,949</b>	<b>3,205</b>	<b>3,368</b>	<b>3,701</b>	<b>4,043</b>	<b>4,898</b>	<b>5,064</b>	<b>4,995</b>
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
<b>Net Equity and Total Liabilities</b>	<b>2,949</b>	<b>3,205</b>	<b>3,368</b>	<b>3,701</b>	<b>4,043</b>	<b>4,898</b>	<b>5,064</b>	<b>4,995</b>

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