

## Andbank Investor Presentation

June 2019



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# 1. Overview of Andorra

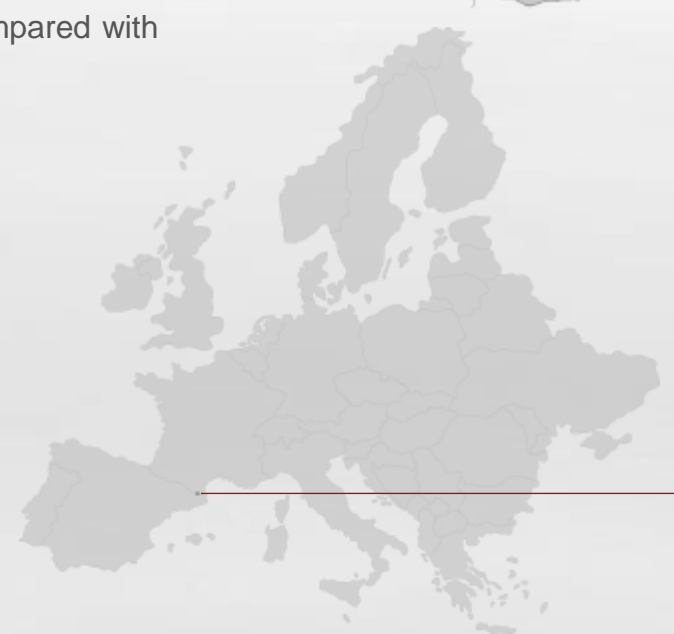
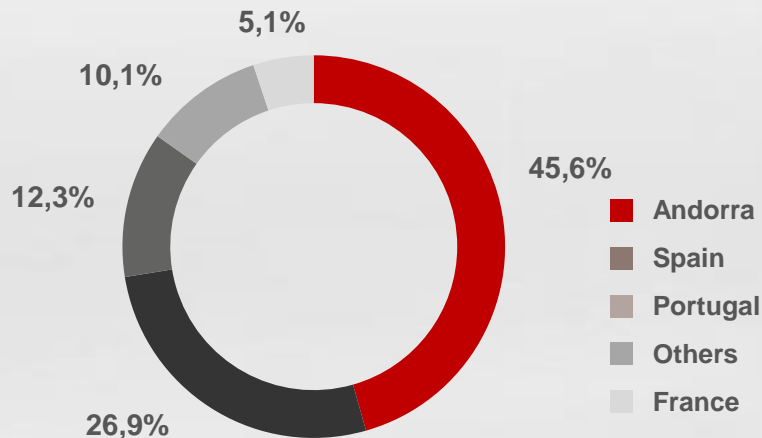
## Geographic and demographic information

**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 **80.000 people** with strong levels of immigration from **Spain, France and Portugal**.

Andorra is a wealthy economy, with high capita income forecast this year to be around 3.6x the 'BBB' median (USD 40,500 compared with USD 11,200).

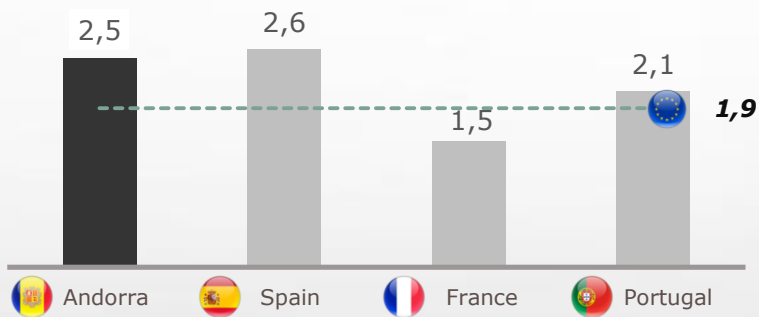
Distribution of the population by nationality in 2018<sup>(1)</sup>



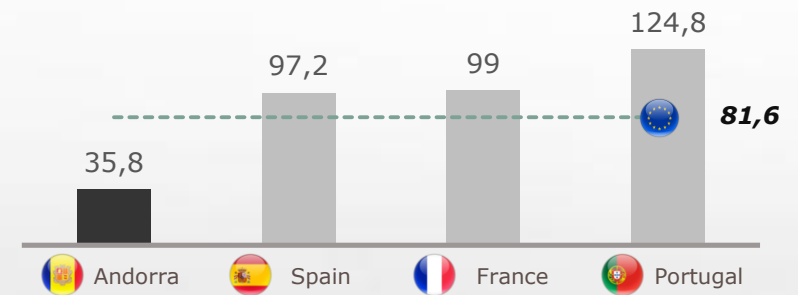
<sup>(1)</sup> Source: Department of Statistics – Government of Andorra

# Key Macro data 2018

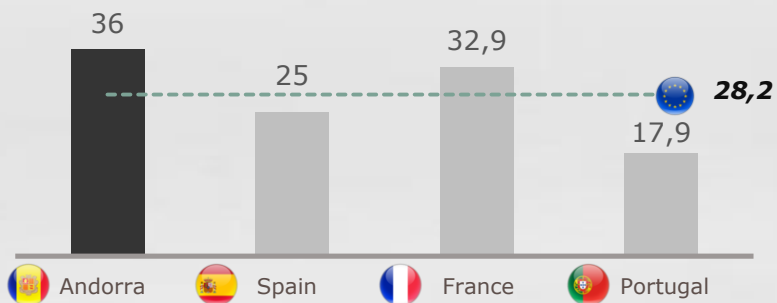
Real GDP growth (%)



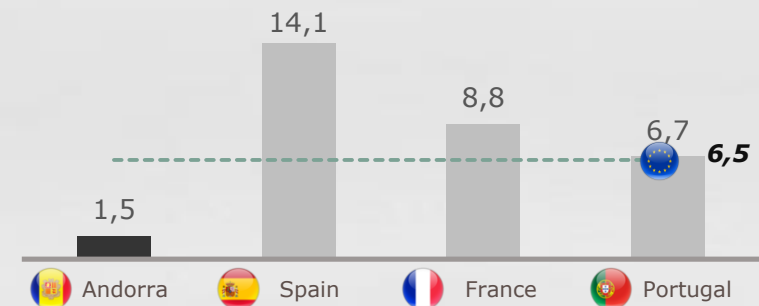
Public debt to GDP (%)



GDP per cápita (EUR k)



Unemployment rate (%)



# Andorra Rating

Both Fitch Ratings and S&P have confirmed Andorra’s Rating at BBB+ / BBB. Debt reduction is supported by a near-balanced central government position, sustained local government surpluses, and by moderate GDP growth. Broad continuity in efforts to align with international standards of financial regulation and tax transparency has been taken into account in last reports.

Regulatory Improvements	Robust Economy	Stable Outlook	Public Debt Ratio
<p>International Standards: introduction this year of Basel III capital rules, adoption of IFRS accounting standards legislation was approved last month on the application of tighter bank regulatory standards.</p> <p>Andorra was removed from the EU "grey list" of non-cooperative tax jurisdictions.</p>	<p>Tourist numbers increased in 2018, construction activity grew, and the financial service sector has returned to modest growth since 2017.</p>	<p>Debt reduction is supported by a near-balanced central government position, sustained local government surpluses, and by moderate GDP growth.</p> <p>Stronger than expected tax revenues</p>	<p>Forecasts a further fall in gross general government debt/GDP to 34.1% in 2020, from 36.1% in 2018 (and 40.0% in 2016), slightly below the current 'BBB' median of 38.5%.</p> <p>By Law annual deficit can not exceed 1%</p>

## Fitch Report

January 2019, affirms Andorra's Rating to BBB+ with stable outlook. Andorra's 'BBB+' rating is supported by high GDP per capita (almost four times the 'BBB' median), political stability, and prudent fiscal policy. Net public indebtedness is low and improving, and the general government surplus (at an estimated 1.9% of GDP in 2018) compares favorably with the peer group median (of a deficit of 1.8%). Affirms short-term foreign currency at F2 and country ceiling at A+.

Long-Term IDR	<b>BBB+</b>
Outlook	<b>Stable</b>
Short-Term IDR	<b>F2</b>
Country ceiling	<b>A+</b>

## Standard & Poor's Report

January 2019, S&P Global Ratings affirmed its 'BBB/A-2' long- and short-term foreign and local currency sovereign credit ratings on Andorra. The outlook is stable. Agency highlight Andorra's steady and significant progress in transposing EU directives for the prevention of money laundering and financial system legislation

Long-Term IDR	<b>BBB</b>
Outlook	<b>Stable</b>
Short-Term IDR	<b>A2</b>

# Regulatory framework

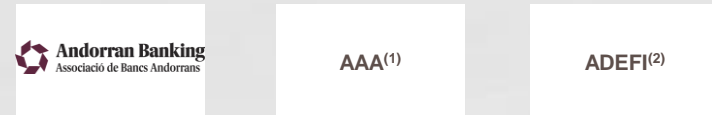
Andorra's political system is a Parliamentary co-principality (France & Spain)

## Public institutions



## Private sector associations

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



## Additional regulatory standards

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



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

## Moneyval – positive report February 2019

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As a result of Andorra's **progress in strengthening its framework** to tackle money laundering and terrorist financing since its mutual evaluation in September 2017, MONEYVAL has re-rated the country on twelve Recommendations, nine of which were originally rated as “partially compliant”.

Andorra has been in an enhanced follow-up process, following the adoption of its mutual evaluation report, which assessed the **effectiveness of Andorra's anti-money laundering and counter-terrorist financing (AML/CFT)** measures and their compliance with the Recommendations by the Financial Action Task Force (FATF). In line with MONEYVAL's rules of procedure, the country has reported back to MONEYVAL on the progress it has made to strengthen its AML/CFT framework.

This follow-up report analyses Andorra's progress in addressing the technical compliance deficiencies identified in the mutual evaluation report. It also looks at whether Andorra has implemented new measures to meet the requirements of **FATF Recommendations** that have changed since the country's 2017 mutual evaluation.

To reflect this progress, **MONEYVAL has re-rated** Andorra on Recommendations 3 (money laundering offence), 12 (politically exposed persons), 16 (wire transfers), 22 (DNFBPs: customer due diligence), 23 (DNFBPs: other measures) and 34 (guidance and feedback). These Recommendations are now re-rated as “largely compliant”. Recommendations 2 (national cooperation and coordination), 11 (record keeping), 15 (new technologies), 20 (reporting of suspicious transactions), 21 (tipping-off and confidentiality) and 32 (cash couriers) have been re-rated as “compliant”.

The ratings for Recommendation 7 (targeted financial sanctions related to proliferation, originally rated as “compliant”) and Recommendations 18 (internal controls and foreign branches and subsidiaries, originally rated as “largely compliant”), the requirements of which changed since Andorra's evaluation in 2017, remain unchanged. Recommendation 21 (tipping-off and confidentiality), the requirements of which likewise changed since Andorra's evaluation, has been re-rated as “compliant”.

MONEYVAL decided that **Andorra will remain in enhanced follow-up** and will continue to report back to MONEYVAL in December 2019 on further progress to strengthen its implementation of AML/CFT measures.



[www.coe.int/moneyval](http://www.coe.int/moneyval)



# The way to transparency

Andorra has aligned regulation and information exchange with European and international standards. These reforms will lead to converge with international practices of financial supervision

## CRS – Automatic exchange of information



OECD  
COMMON  
REPORTING  
STANDARD

First exchange of information has already taken place in 2018, second currently working - 2019.

Since **January 1<sup>st</sup> 2017**, the Andorran authorities have implemented regulations that have led 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> 2018**, Andorran financial institutions and banks have adopted **International Financial Reporting Standards 9** for accounting purposes.



# Regulatory developments

## Banking

Key developments in **banking regulation**:

- Implementation of **MiFID** principles in Andorran regulation
- Implementation of **Basel III** principles in Andorran regulation: **CRD IV** in place
- Re-enforcements of **Human Resources** in all of the Regulatory Institutions

## Insurance

Key developments in **insurance regulation** in place:

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

Inclusion of the insurance sector under the supervision of the Andorran Regulator



### CRD IV, Banking regulation

November 2018 a **new Law** has been approved in the Parliament in order to implement the European CRD IV legislation



### Out of the Grey List

Andorra is out of the Ecofin Grey List since late 2018



### New law on anti-money laundering

The most recent **GAFI / FATF recommendations** and the **new rules** established by the **4<sup>th</sup> EU Directive on AML** have been implemented.



### Modification of the Criminal Code

The Criminal Code have been modified in order to include **money deriving from tax crime** as subject of money laundering offense.



### SEPA

March 2019 Andorra has gained direct access to the European System of Payments, SEPA

## Andorra, key pending points

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- / Andorra has just held general elections April 7th 2019. New coalition Government in place between Democrats and Liberals. Center-right approach.
- / After two mandates with Democrat absolute majority in the Parliament, the new Government shall have to finish the hard work done in the last 8 years to transform the country. No major changes are expected.
- / Govern d'Andorra has to finish 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.
- / Andorra is currently negotiating to be a member of the **International Monetary Fund**. Conversations are well advanced. When that happens, Andorra will have access to a **lender of last resort**.
- / The Government is also negotiating with the EU and the **ECB** to gain direct access to the **Central Bank liquidity**.



## 2.Andbank at a glance

## Andbank at a glance

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We are an international Family-owned Bank, with presence in 11 countries.

For over 85 years we have specialized in Wealth Management for the Private Banking industry. We are leading providers of the best solutions to our clients, through innovative value offers and with the highest quality standards.

### Vision

Become a leading player in family-owned Private Banking in Europe and Latin America.

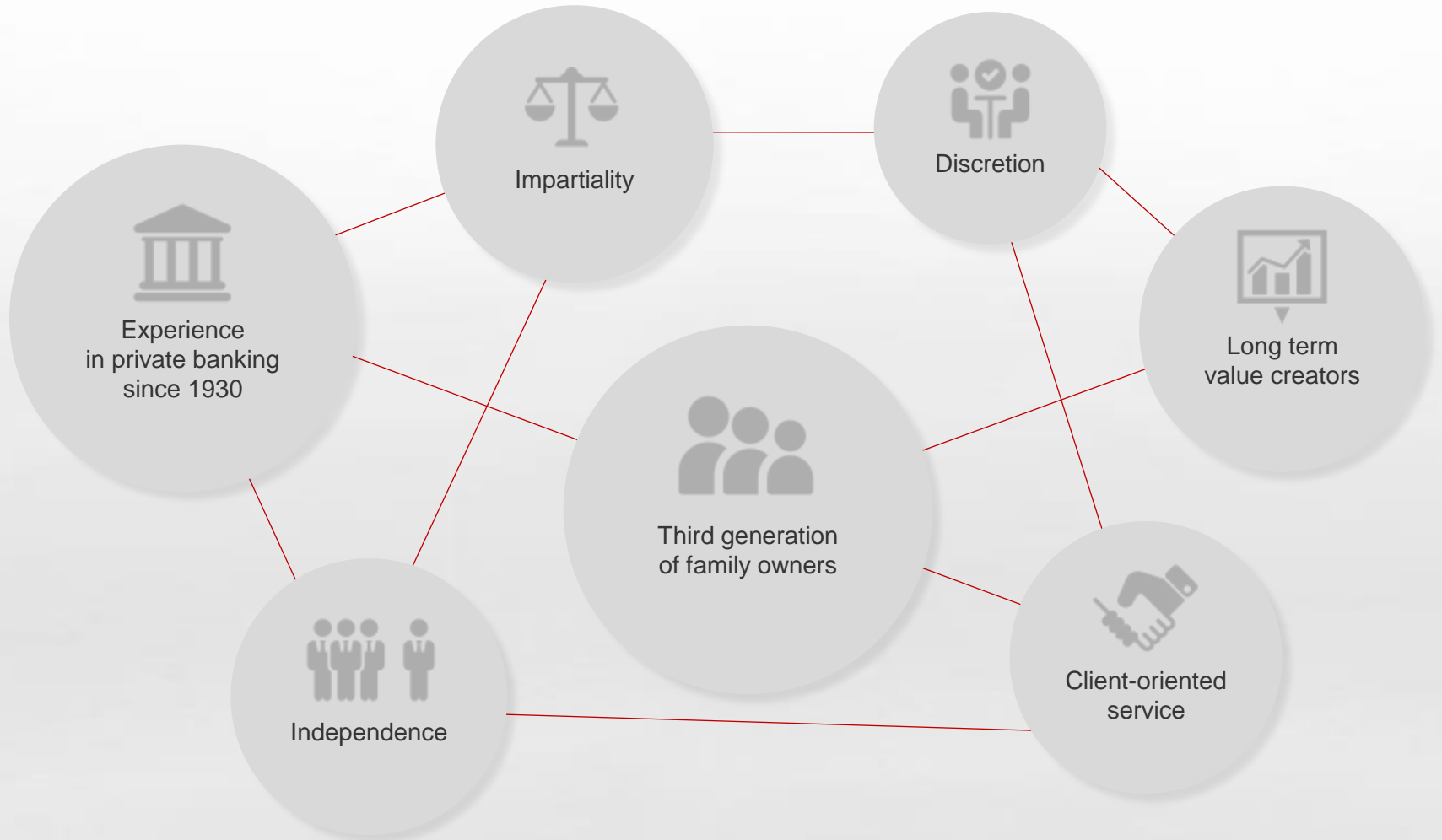
Continue with our on-shore strategy offering wealth management services to clients of the affluent segment and to those of the wealth segment.

With long-term value creating strategy and a proposal of technological / digital value.



# Our Values

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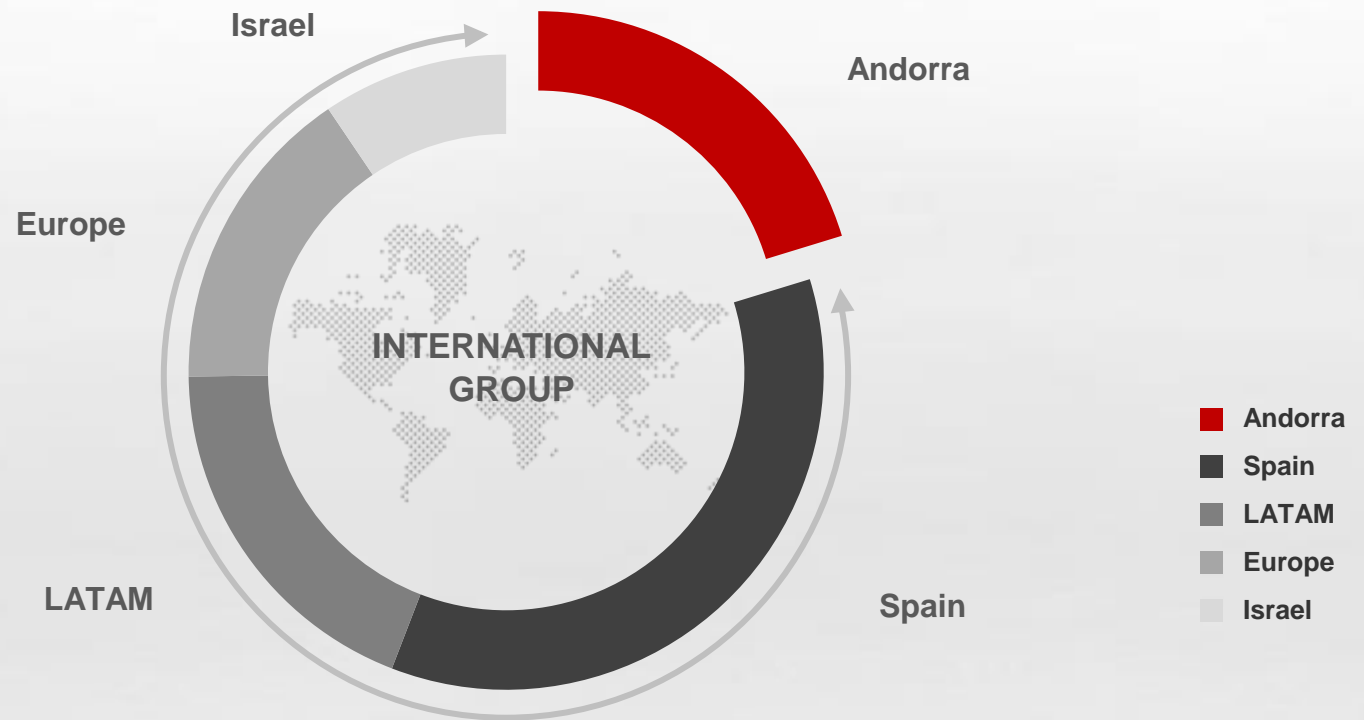


# International Expansion Strategy



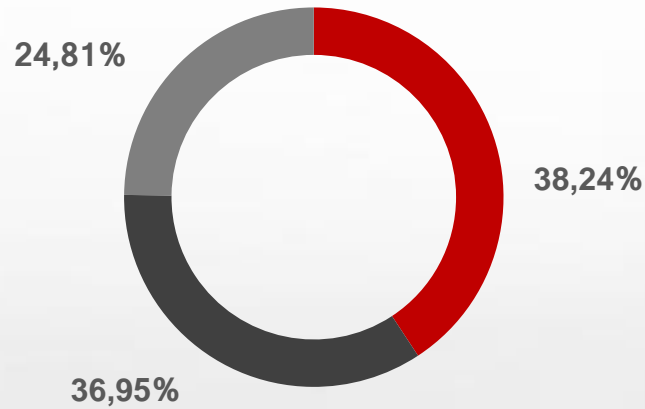
# AuMs geographical diversification

Great international private banking and wealth management diversification with ~80% of AuM booked outside Andorra





# Governance & shareholders structure



**75.19%**  
Family owners

- Família Cerqueda**  
(Cerqueda Donadeu, SA - AndosinsCapital)
- Família Ribas Duró**  
(Reig Finances, SAU - Reig Patrimonia)
- Other Minority shareholders**

## Executive Committee



**Ricard Tubau**  
CEO



**Josep X. Casanovas**  
Finance Area



**Santiago Mora**  
Investment Area



**Anna Olsina**  
Business Area



**Pedro Cardona**  
IT Officer



**Jordi Checa**  
Resources Officer

## Key Figures 2018

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**22 BN€**

AUMs

**BBB Stable**

Fitch Ratings<sup>(1)</sup>

**360%**

LCR

**27 MM€**

Net Profit

**516 MM€**

Core Capital

**3,65%**

NPL Ratio

**5,38%**

ROE

**13.09%**

CET1<sup>(2)</sup>

**104%**

NPL Coverage ratio

**10,03%**

ROTE

**15.76%**

TIER1 ratio<sup>(2)</sup>

**6.72%**

Leverage Ratio

(1) Confirmed May 2019

(2) Under European regulation (CRR/CRD IV)

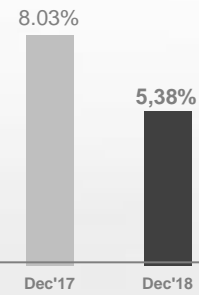
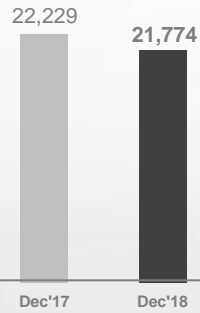
# Latest Developments

## Sustainable Growth

AuMs (MM€)



ROE

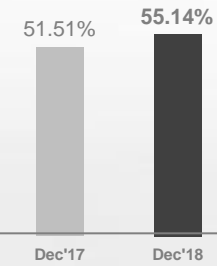
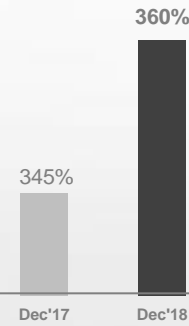


## Liquidity

LCR

▲ 15%

LtD

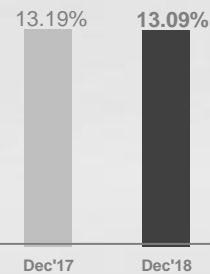
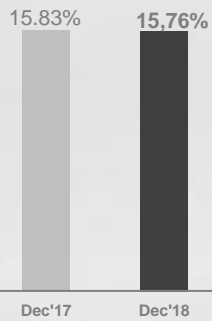


## Capitalisation

TIER1



CET1

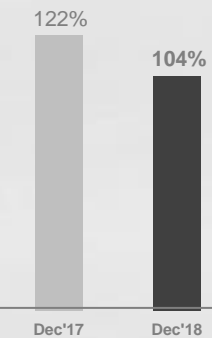
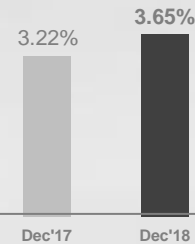


## Asset Quality

NPL ratio

▲ 0.43%

Coverage ratio



## Solvency position

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

### TIER1 2018

Morgan Stanley	19.20%
UBS Group	17,54%
Credit Suisse	16,20%
<b>Andbank</b>	<b>15,76%</b>
Deutsche Bank	15,70%
Bank of New York	14.10%
Goldman Sachs	15,00%
JP Morgan Chase	13.70%
Credit Agricole	13.70%
Citigroup	13.46%
BBVA	13.20%
Bank of America	13,20%
Santander	13,12%
Natixis	12,30%

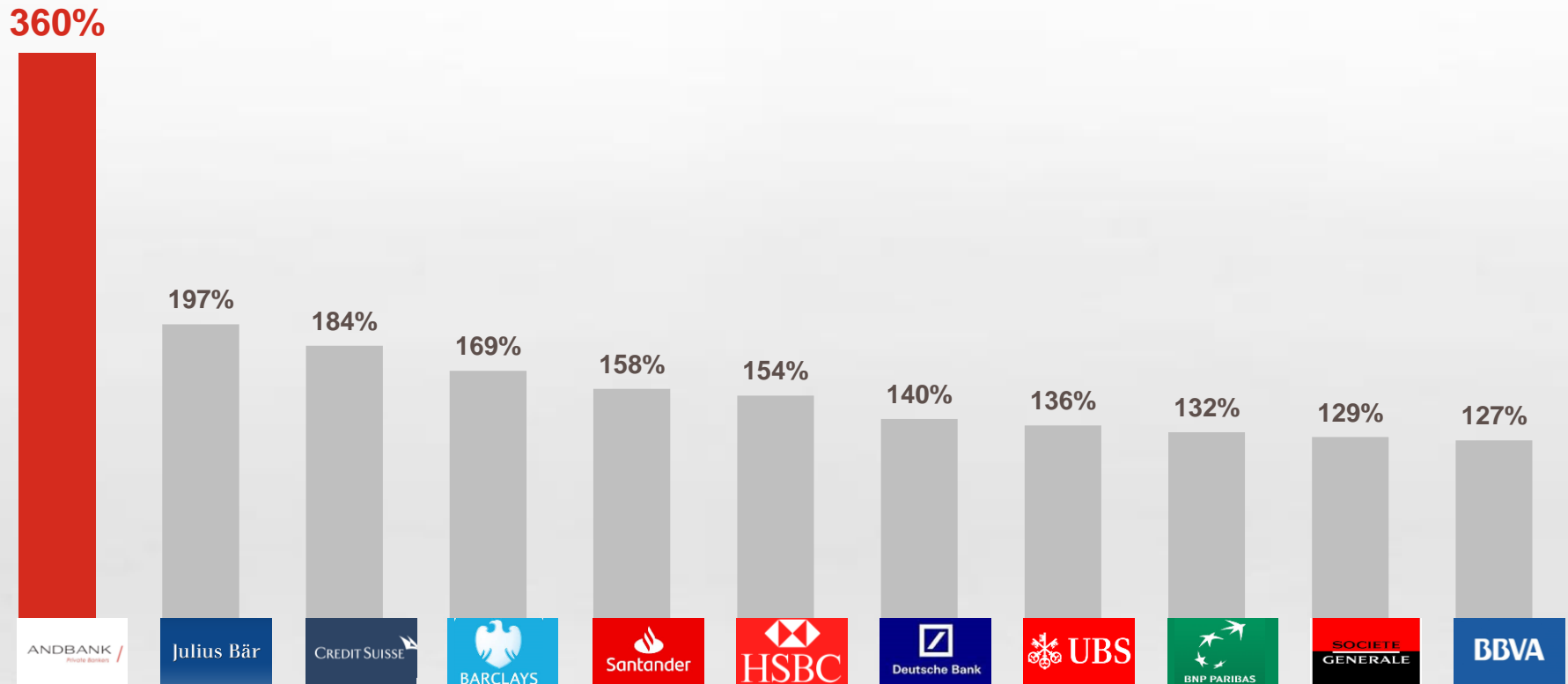
### Leverage Ratio 2018

Goldman Sachs	8.9%
Citigroup	8.8%
Bank of America	8.4%
Morgan Stanley	8.4%
JP Morgan Chase	8.1%
<b>Andbank</b>	<b>6.7%</b>
Bank of New York	6.6%
BBVA	6.5%
UBS Group	5.8%
Credit Suisse	5.2%
Santander	5.2%
Deutsche Bank	4.3%
Natixis	4.2%
Credit Agricole	4.0%

# Liquidity position

Andbank has a strong liquidity position.

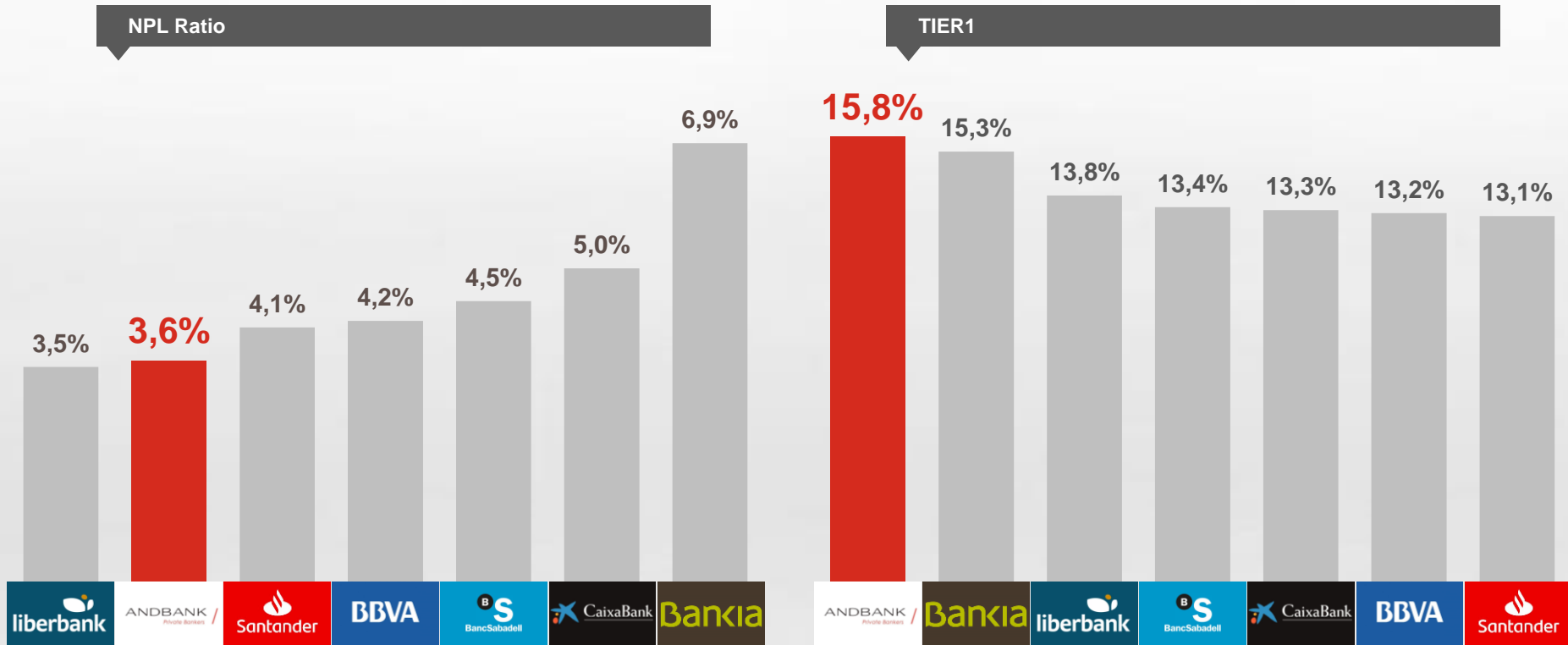
As of December 2018, the Group's LCR ratio stood at 360%



Source: Bloomberg

# Spanish peers

Andbank's risk management indicators and capital ratios show its privileged position with regard to the average of Spanish banking industry



Source: Bloomberg

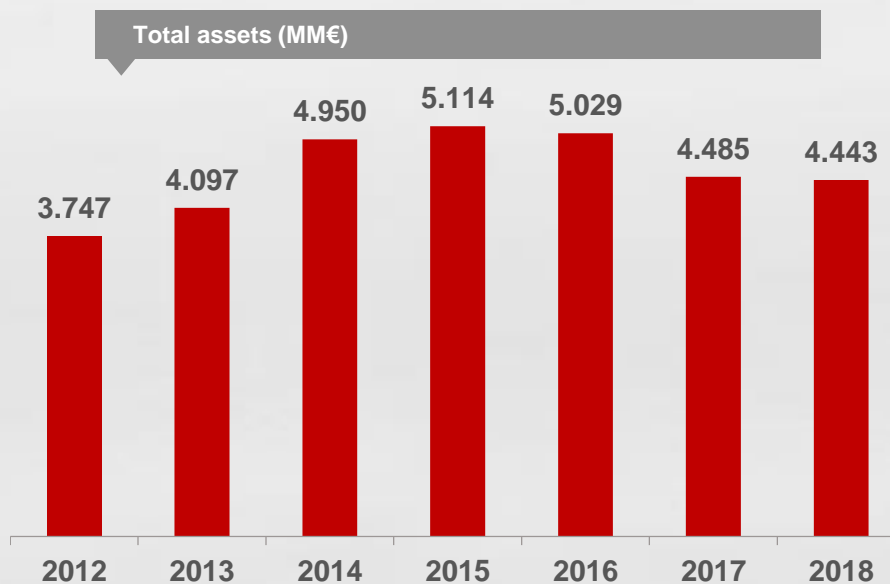
## Soundness of Andbank's key ratios

	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Assets (MM€)</b>	3,205	3,368	3,701	4,043	4,898	5,064	4,987	4,423	4,443
<b>AuMs (MM€)</b>	7,696	9,161	11,048	13,473	21,451	22,760	21,990	22,229	21,774
<b>Cost-to-income (%)</b>	51.4	54.5	54.9	55.7	60.5	75.6	74.7	81.2	87.1
<b>Net profit (MM€)</b>	40.8	54.2	56.6	64.1	64.3	54.0	44.6	39.2	27.1
<b>Net equity (MM€)</b>	415	443	446	482	539	552	478	507	516
<b>RoE (%)</b>	10.6	12.6	12.5	13.8	12.7	10.0	8.5	8.03	5.38
<b>NPL (%)</b>	3.8	3.6	3.7	3.9	3.6	3.3	3.5	3.2	3.65
<b>Coverage ratio (%)</b>	42.0	46.0	49.0	58.4	67.7	69.0	59.3	122.5	104.1

# Assets & Liabilities

Assets	2017	2018
Cash, Central Banks & Credit Institutions	1.447	1.433
Investment Securities	862	858
Loans & Receivables	1.665	1.699
Tangible & Intangible Assets	278	299
Other Assets	164	154
<b>Total Assets</b>	<b>4.416</b>	<b>4.443</b>

Liabilities	2017	2018
Deposits	3.245	3.242
Debt Securities	426	473
Other	209	211
Capital	536	517
<b>Total Assets</b>	<b>4.416</b>	<b>4.443</b>





## Asset side – Cash & Central Banks vs Banks & Credit Institutions

Since 2012, Andbank has **increased liquidity** in **cash** and **central banks**

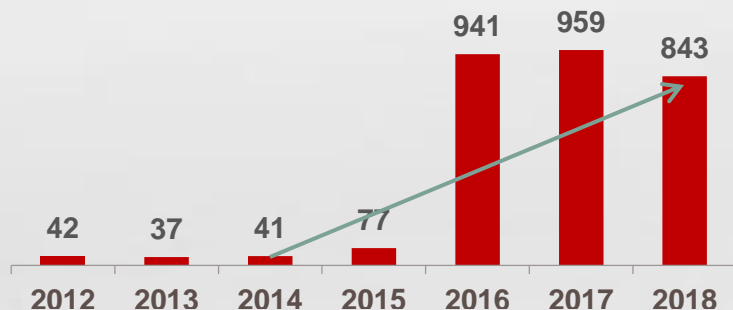
Cash, Central Banks

Banks & Credit Institutions

**Total Assets**

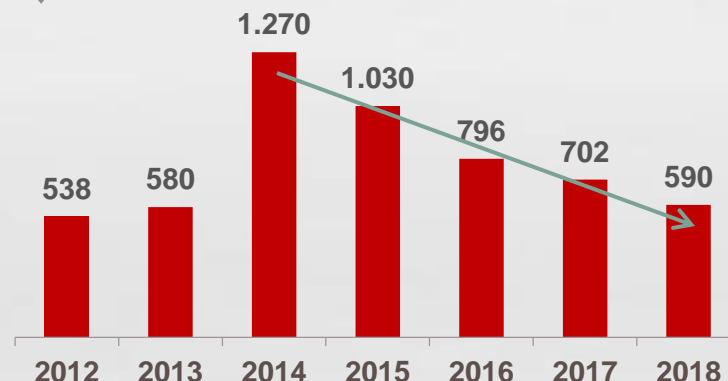
	2012	2013	2014	2015	2016	2017	2018
Cash, Central Banks	42	37	41	77	941	959	843
Banks & Credit Institutions	538	580	1.270	1.030	796	702	590
<b>Total Assets</b>	<b>580</b>	<b>617</b>	<b>1.311</b>	<b>1.107</b>	<b>1.737</b>	<b>1.661</b>	<b>1.433</b>

Cash & central banks (MM€)



Since 2014, **liquidity** in **cash** and **central banks** has **increased significantly**.

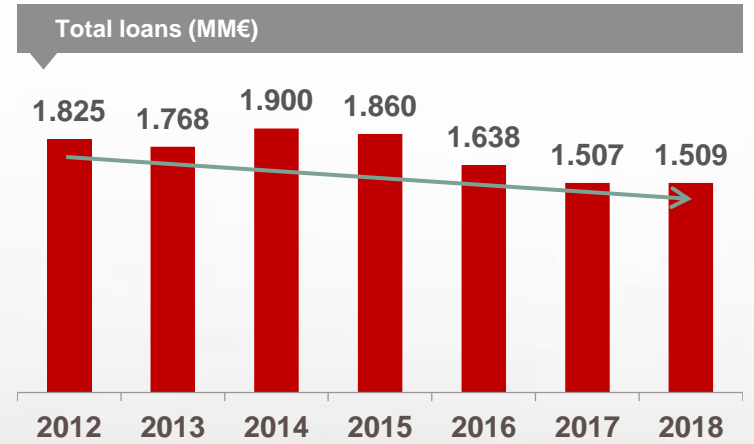
Banks & credit institutions (MM€)



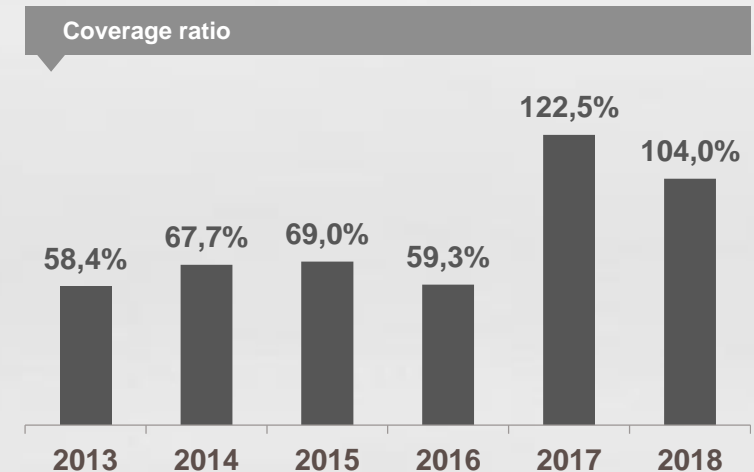
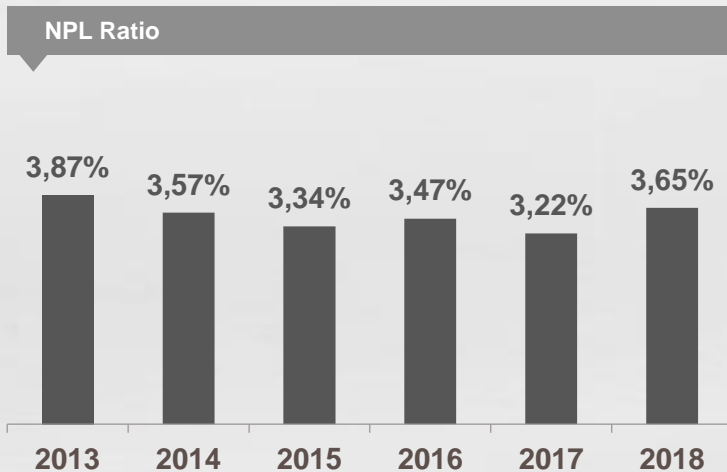
Since 2014, **assets** in **banks** and **credit institutions** have **decreased** by more than 50%.

# Asset side – Loans & NPLs

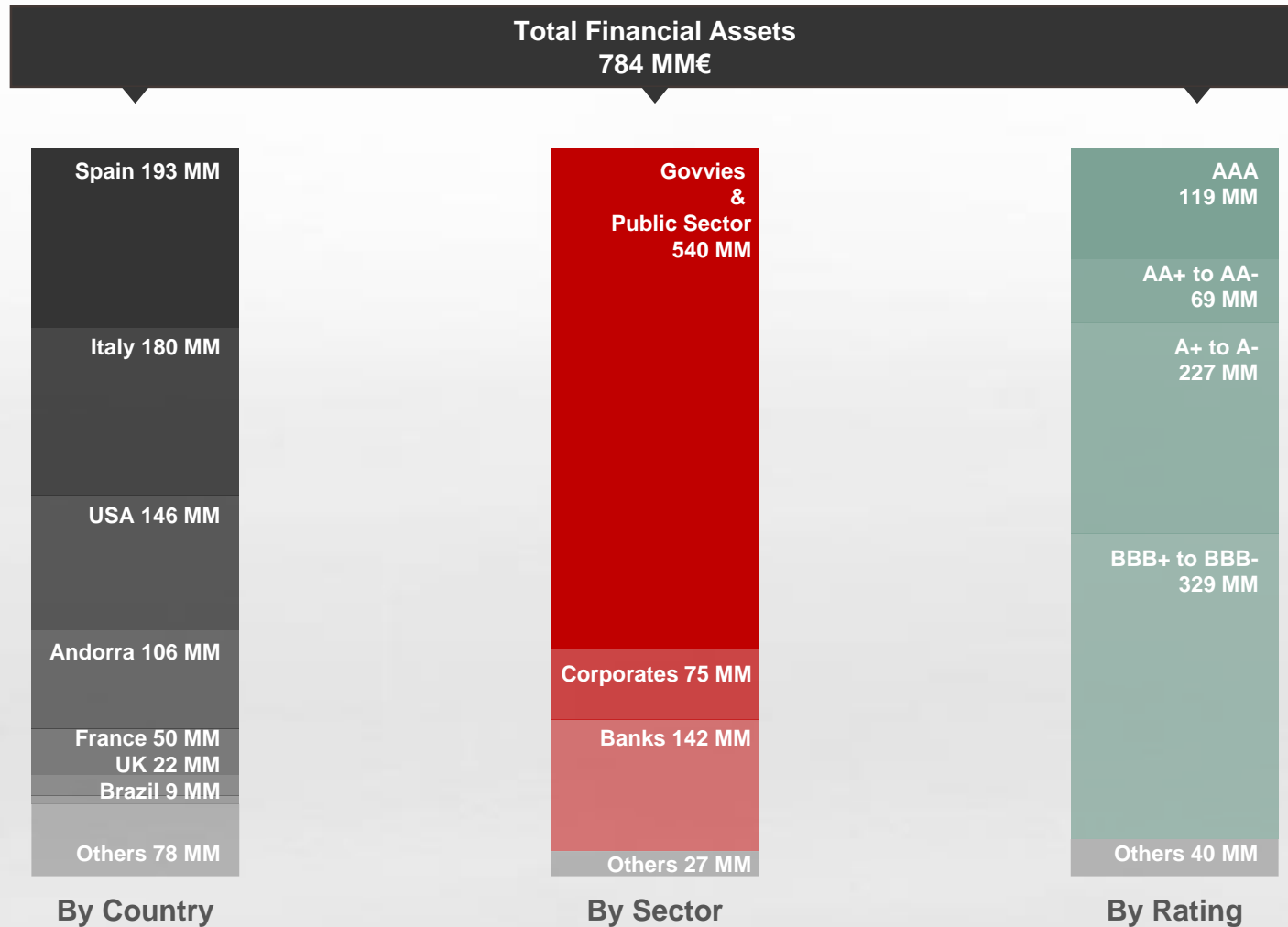
Type of guarantee	2012	2013	2014	2015	2016	2017	2018
Mortgage	961	923	801	771	733	629	615
Pledge guarantee	458	476	731	733	651	649	719
Personal / Others	406	369	368	356	254	229	179
<b>Total</b>	<b>1.825</b>	<b>1.768</b>	<b>1.900</b>	<b>1.860</b>	<b>1.638</b>	<b>1.507</b>	<b>1.513</b>



Improvement in asset quality. NPLs remain stable in time though the application of IFRS and IFRS9 in two consecutive years whilst Coverage Ratio remains over 100%.



# Asset side – Financial Assets



# Andbank Fitch Report May 2019

**Fitch Ratings has affirmed Andbank's Long-Term IDR at 'BBB' with Stable Outlook. Fitch has also affirmed the Short-Term IDR at 'F3' and the Viability Rating at 'bbb'**

Long-Term IDR	<b>BBB</b>
Outlook	<b>Stable</b>
Short-Term IDR	<b>F3</b>
Viability Rating	<b>bbb</b>
Support Rating	<b>5</b>
Support rating floor	<b>NF</b>



**Historically, Andbank's rating has always followed its sovereign**

	2013	2014	2015	2016	2018	2019
<b>Andorra</b>	<b>A-</b> (Negative)	<b>BBB+</b> (Stable)	<b>BBB</b> (Stable)	<b>BBB</b> (Positive)	<b>BBB+</b> (Positive)	<b>BBB+</b> (Stable)
<b>Andbank</b>	<b>A-</b> (Negative)	<b>BBB</b> (Stable)	<b>BBB</b> (Stable)	<b>BBB</b> (Stable)	<b>BBB</b> (Stable)	<b>BBB</b> (Stable)

# Profit & Loss Statement

Figures in MM€	2010	2011	2012	2013	2014	2015	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>
Net Interest Income	45	51	56	43	50	51	38	29	23
Interest revenue	62	79	97	112	141	146	75	52	50
Interest expense	-17	-28	-41	-69	-90	-95	-37	-23	-27
Net fees and commission revenue	87	109	105	111	121	159	147	187	163
Net trading revenue	9	9	27	39	49	38	63	43	47
Other	1	1	1	1	0	1	0	0	0
<b>Total net Revenue</b>	<b>142</b>	<b>171</b>	<b>190</b>	<b>195</b>	<b>220</b>	<b>249</b>	<b>248</b>	<b>220</b>	<b>189</b>
Personnel expenses	-40	-51	-60	-64	-79	-106	-107	-104	-97
G&A expenses	-33	-37	-44	-34	-40	-63	-65	-61	-58
Amortization	-10	-11	-9	-7	-11	-19	-14	-13	-10
Depreciation	0	-1	-5	-2	-4	-1	0	0	0
<b>Total operating expenses</b>	<b>-83</b>	<b>-100</b>	<b>-117</b>	<b>-108</b>	<b>-134</b>	<b>-189</b>	<b>-186</b>	<b>-178</b>	<b>-165</b>
<b>Net operating income</b>	<b>58</b>	<b>70</b>	<b>72</b>	<b>86</b>	<b>86</b>	<b>60</b>	<b>63</b>	<b>41</b>	<b>24</b>
Provisions & Extraordinary	-18	-14	-11	-16	-15	-3	-12	3	2
<b>Net operating income before tax</b>	<b>40</b>	<b>56</b>	<b>61</b>	<b>70</b>	<b>71</b>	<b>57</b>	<b>51</b>	<b>44</b>	<b>34</b>
Tax expense	1	-2	-4	-6	-7	-3	-6	-5	-7
<b>Net profit</b>	<b>41</b>	<b>54</b>	<b>57</b>	<b>64</b>	<b>64</b>	<b>54</b>	<b>45</b>	<b>39</b>	<b>27</b>

# Supervisory framework

Country	Regulator		
 Spain	<ul style="list-style-type: none"> <li>• Banco de España</li> <li>• CNMV</li> </ul>		
 Luxembourg	<ul style="list-style-type: none"> <li>• CSSF</li> </ul>		
 Israel	<ul style="list-style-type: none"> <li>• ISA</li> <li>• Ministry of Finance</li> </ul>		
 Mexico	<ul style="list-style-type: none"> <li>• CNBV</li> </ul>		
 Monaco	<ul style="list-style-type: none"> <li>• Banque de France<sup>(1)</sup></li> </ul>		
 Brazil	<ul style="list-style-type: none"> <li>• BACEN</li> </ul>		
 USA	<ul style="list-style-type: none"> <li>• FINRA</li> <li>• SEC</li> </ul>		
 Andorra	<ul style="list-style-type: none"> <li>• AFA</li> </ul>		

(1) Autorité de contrôle prudentiel et de résolution (ACPR), under the auspices of Banque de France.

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