

ANDBANK /  
*Private Bankers*



# Andbank Investor Presentation

May 2018

# Table of contents

---

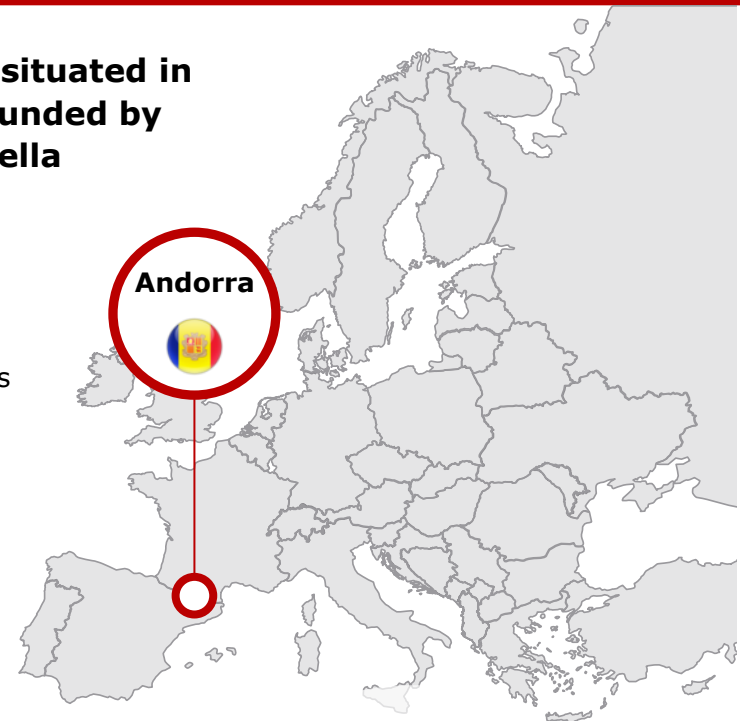
## **1. Overview of Andorra**

## **2. Andbank at a glance**

## **A. Appendix**

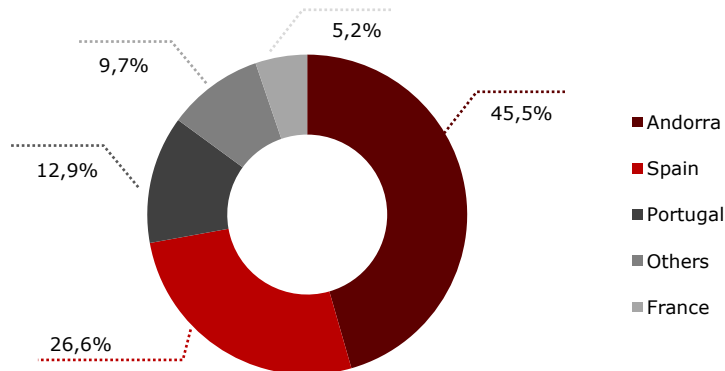
# 1. Geographic and demographic information

**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**



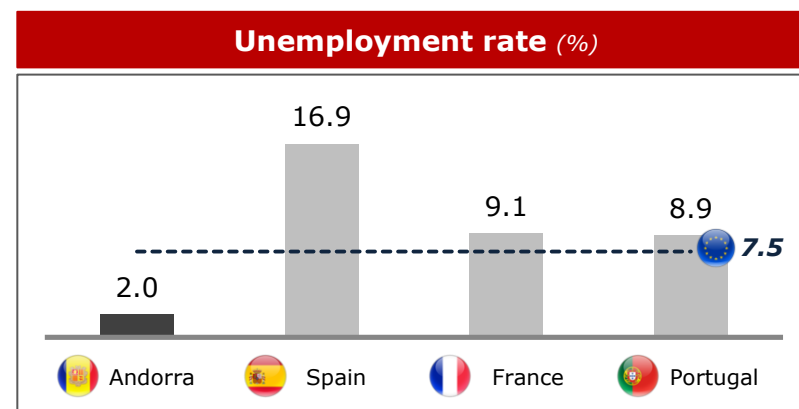
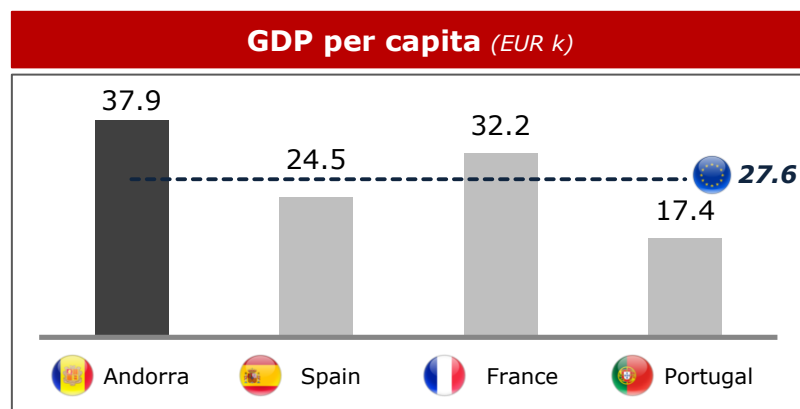
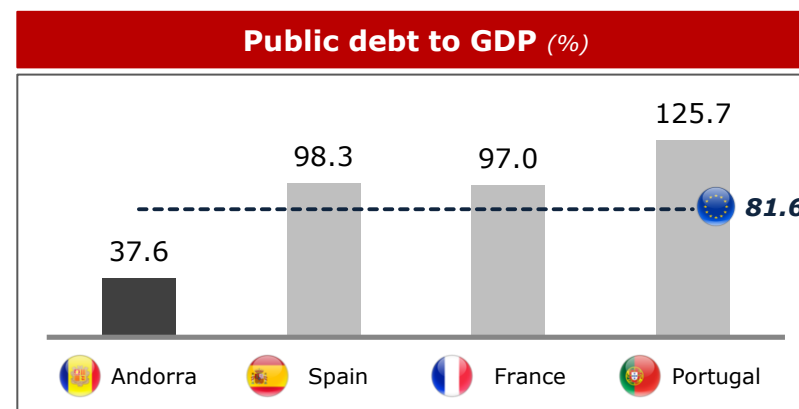
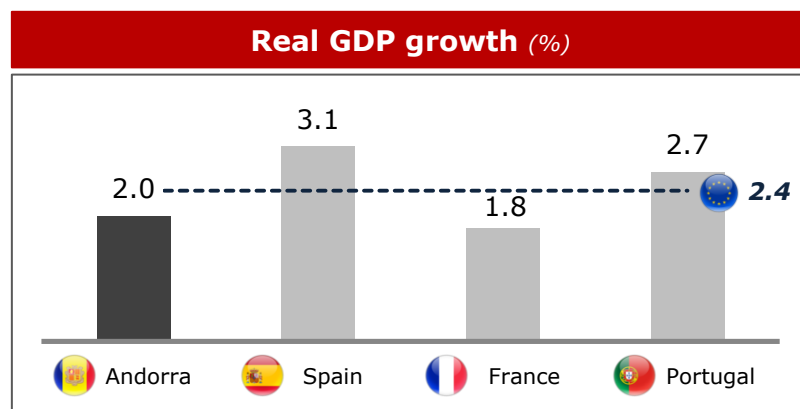
The total population is approximately **80.000 people** with strong levels of immigration from **Spain, France and Portugal**

**Distribution of the population by nationality in 2017<sup>(1)</sup>**



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

# 1. Key macroeconomic data 2017<sup>(1)</sup>



(1) Source: Eurostat & FitchRatings Andorra Full Rating Report

# 1. Andorra rating

Rating agencies have improved Andorra's sovereign rating based on its strong public finances and political stability, the resilience of Andorran banking sector against BPA crisis and the regulatory improvements to align regulation with international standards



## 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.

### Fitch Report

- February 2017, Fitch Ratings revised the **Outlook** on Andorra's Long-term IDR **to Positive from Stable**.
- August 2017, Fitch Ratings has confirmed the Outlook on Andorra's Long-term IDR with Positive Outlook.

Long-Term IDR	<b>BBB</b>
Outlook	<b>Positive</b>
Short-Term IDR	<b>F3</b>
Country ceiling	<b>A-</b>

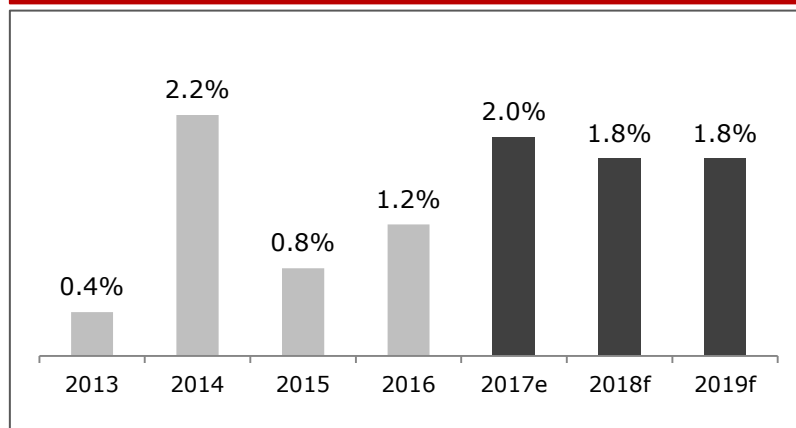
### Standard & Poor's Report

- July 2017, Standard & Poor's has improved Andorra's sovereign rating **from "BBB- / A3" to "BBB / A2"** and maintains a stable outlook.

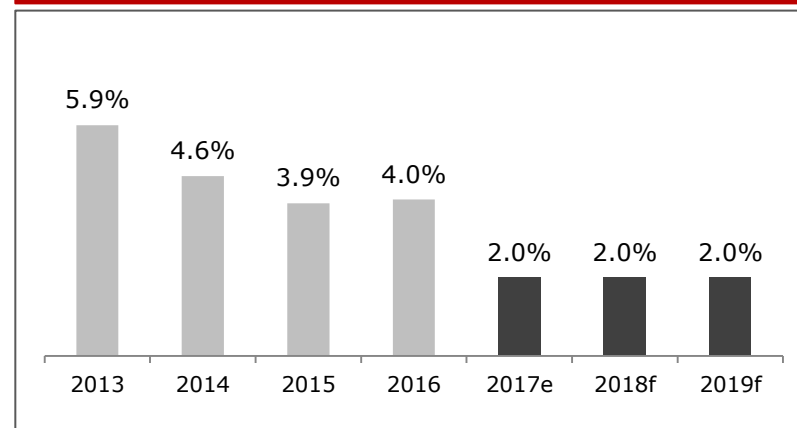
Long-Term IDR	<b>BBB</b>
Outlook	<b>Stable</b>
Short-Term IDR	<b>A2</b>

# 1. Fitch forecast summary

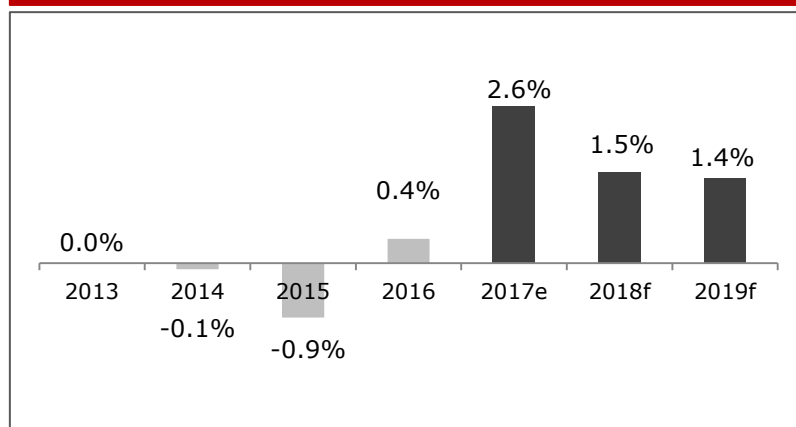
**Real GDP growth (%)**



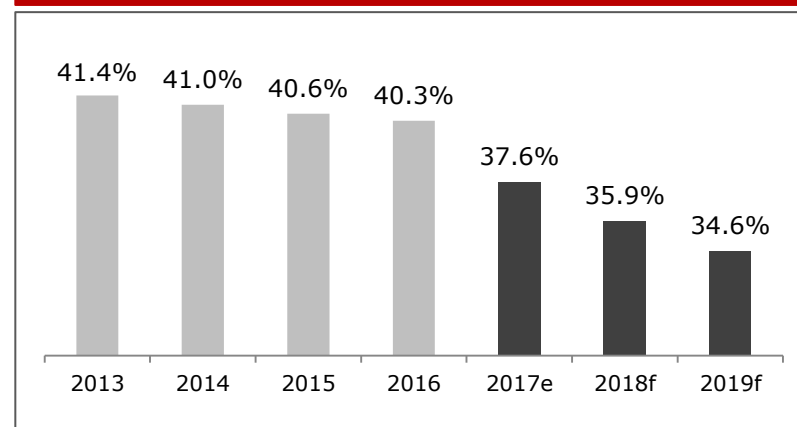
**Unemployment (%)**



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



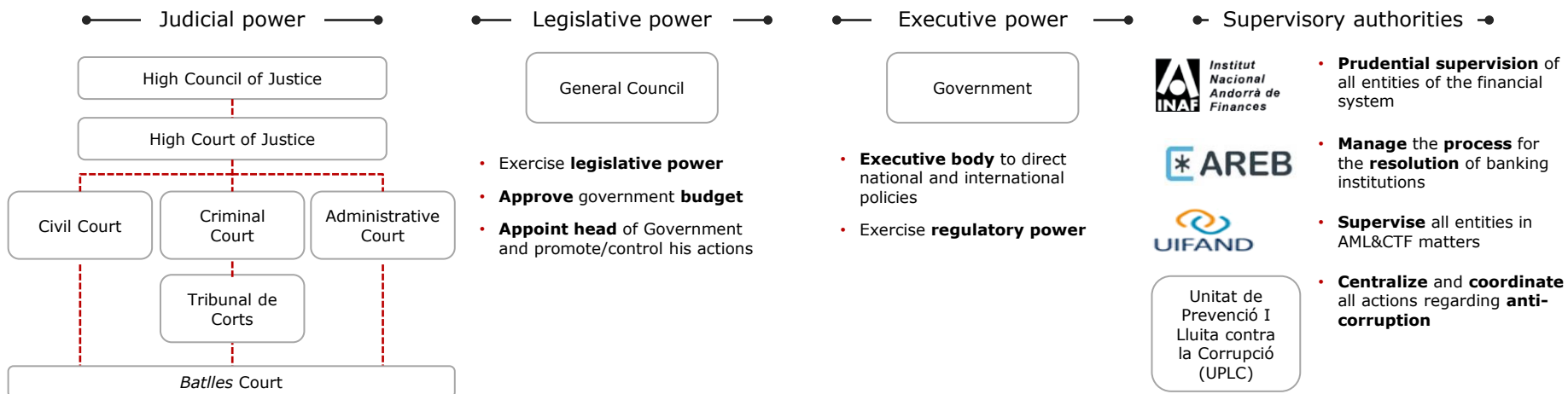
**General government debt (% of GDP)**



# 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+ IQ** 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. Moneyval

---

MONEYVAL held its 54th Plenary meeting in Strasbourg from 26 to 28 September 2017. At this meeting, the Plenary discussed and adopted the 5th round MER (Mutual Evaluation Report) and its executive summary on Andorra;

Andorra is the 6<sup>th</sup> country being evaluated under the 5<sup>th</sup> round standards.

According to UIFAND, the results are considered **satisfactory**.

This report has been adopted, and following rule 23 of Moneyval, will be subject to enhanced follow-up with the next progress report due in December 2018.





# 1. The way to transparency

**Andorra is on track to aligning 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

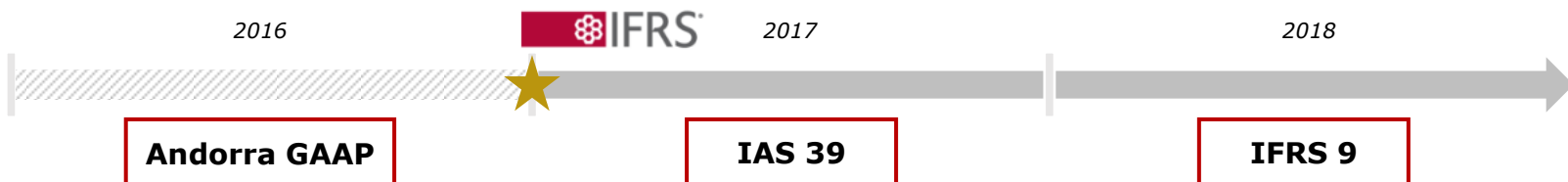
**2017 information will be available in June 2018**

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> 2017**, Andorran financial institutions and banks have adopted **International Financial Reporting Standards** for accounting purposes.



# 1. Regulatory developments

## Banking

Key developments in **banking regulation**:

- Implementation of **MiFID** principles in Andorran regulation
- Implementation of **Basel III** principles in Andorran regulation: **CRDIV** to be implemented in 2018
- 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** coming into force in 2018:

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

Inclusion of the insurance sector under the supervision of the Andorran Regulator (**INAF**)



### New financial code

To align the regulatory framework with European requirements to reach financial **homologation** with **international standards**



### 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.



### Modification of the information exchange law

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

# 1. What to expect in 2018

---

- Andorra 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.
- Andorra 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.
- Finally the Andorran Government is combining all the Financial Laws in a single regulatory body according to **CRD IV**. It is about to be discussed in the Parliament and implemented by January 2019.

# Table of contents

---

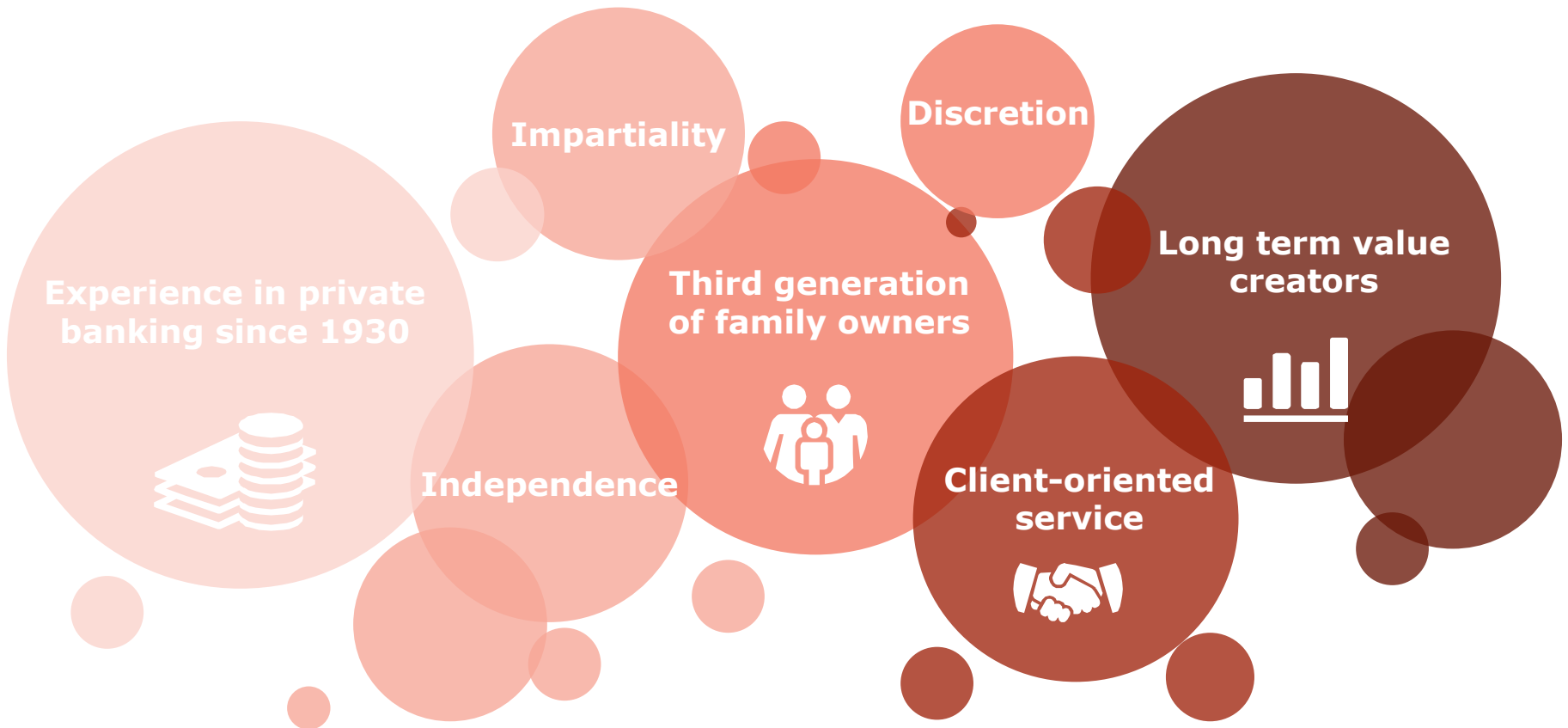
**1.** Overview of Andorra

**2. Andbank at a glance**

**A.** Appendix

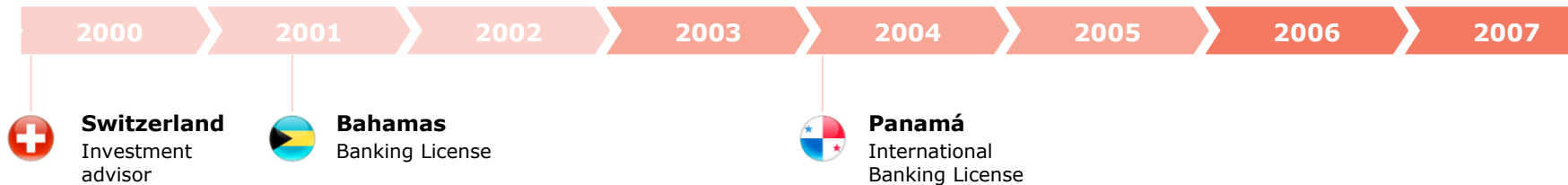
## 2. Our values

---

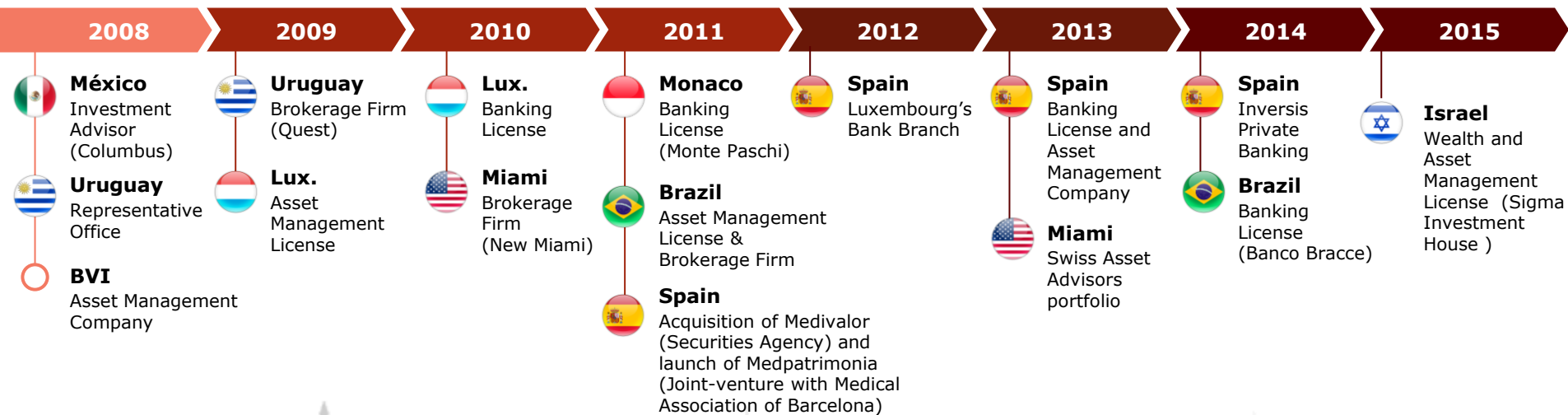


## 2. International expansion

 **Merger**  
Banc Agrícola & Banca Reig



 **International expansion strategy**

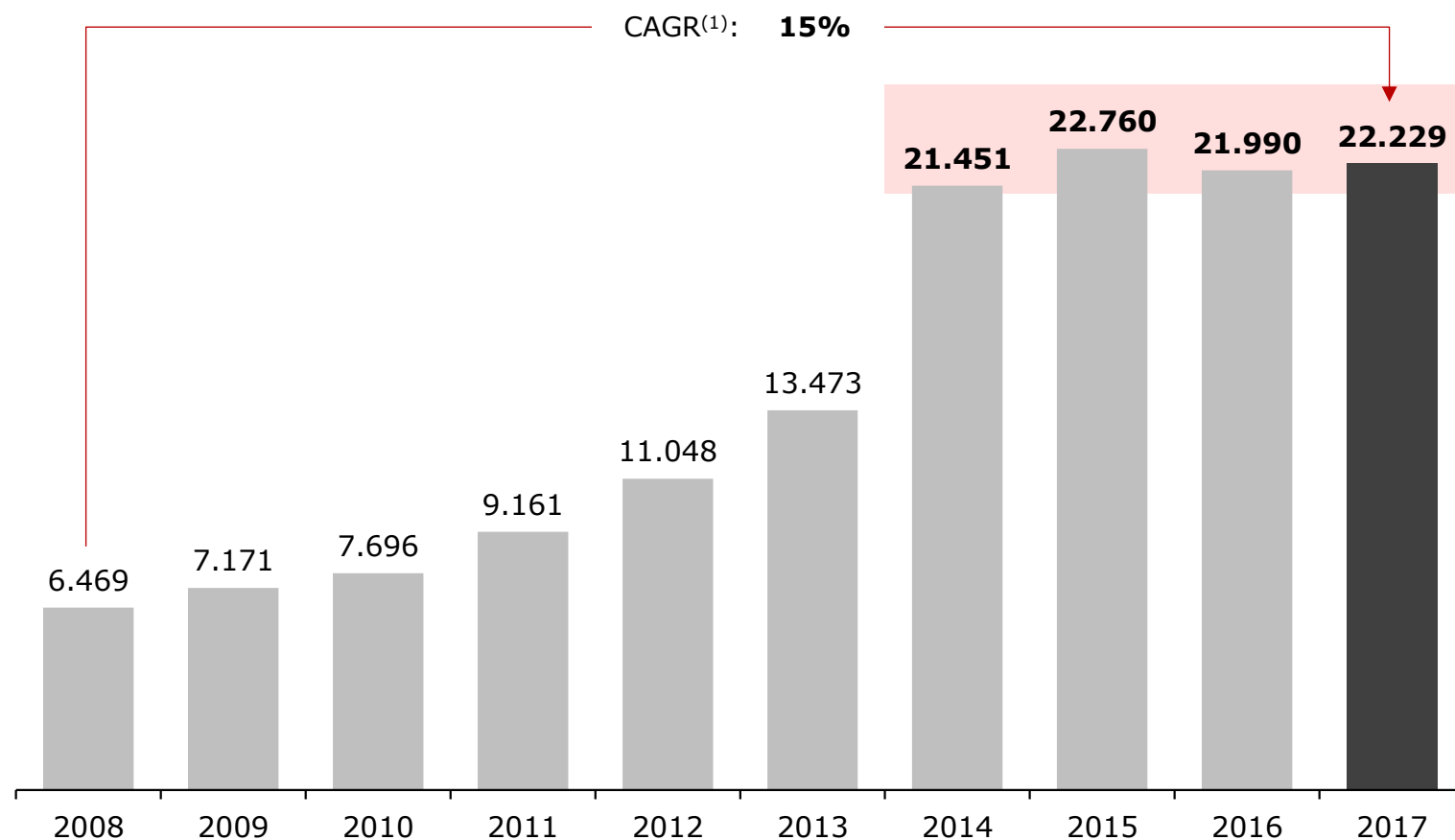


## 2. Andbank worldwide



## 2. AuMs evolution

Despite the challenging environment, Andbank has grown steadily since 2008 taking a leading position in the financial marketplace. Volume of AuMs is stabilised at ~22 BN€

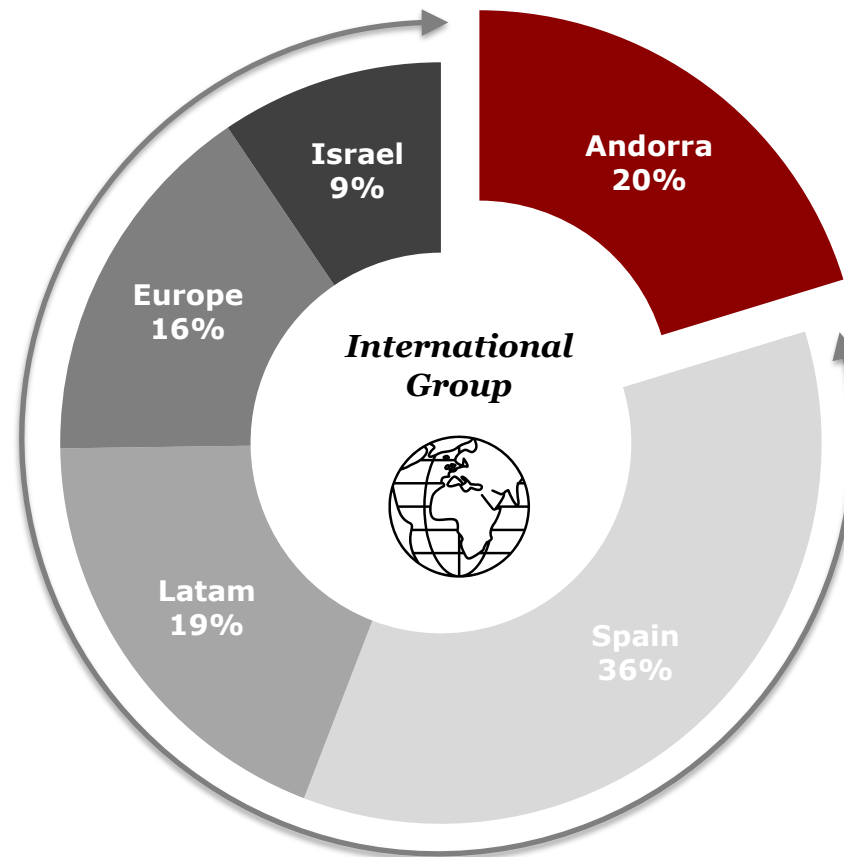


(1) Compounded Annual Growth Rate  
(2) Figures in MMC

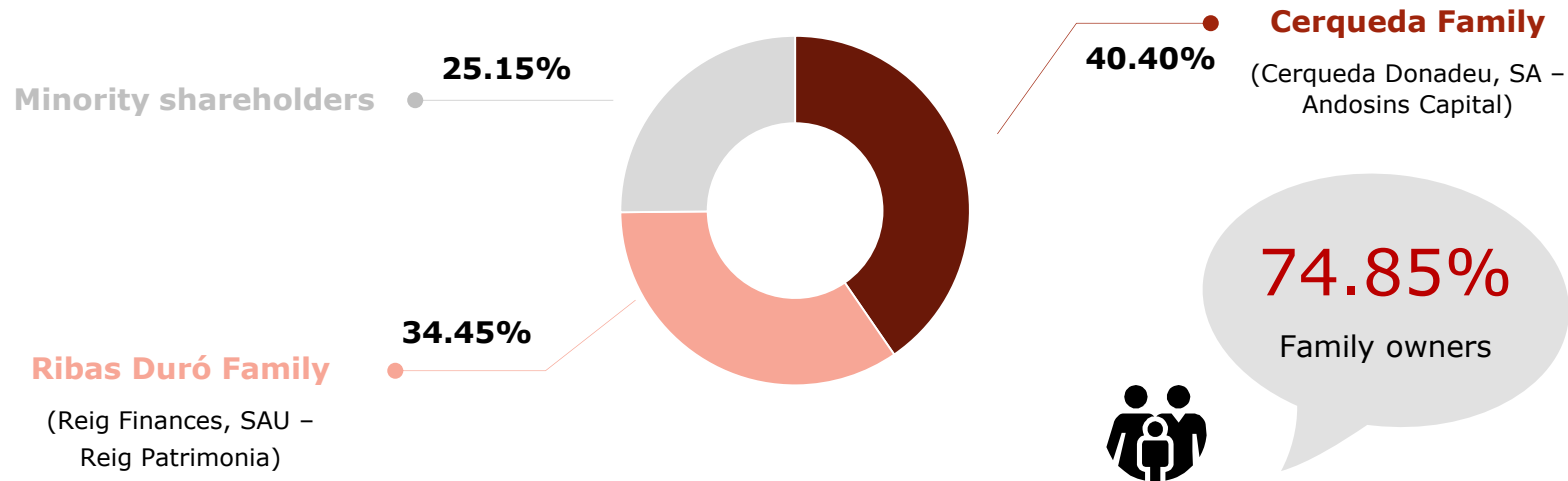


## 2. AuMs geographical diversification

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



## 2. Governance & shareholders structure



### Management Committee



**Ricard Tubau**  
CEO



**Antonio Castro**  
Corporate Services



**Josep X. Casanovas**  
Chief Risk Officer



**Santiago Mora**  
Chief Investment Officer



**Pedro Cardona**  
Chief IT Officer



**Jordi Checa**  
Chief Resources Officer

## 2. Key figures 2017

**22 BN€**

AUMs

**BBB**

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

**345%**

LCR

**Stable**

Outlook<sup>(1)</sup>

**15.83%**

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

**3.22%**

NPL ratio

**13.19%**

CET1<sup>(2)</sup>

**12.97%**

ROTE

**507 MM€**

Core Capital

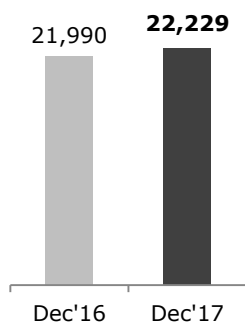
**6.83%**

Leverage ratio

## 2. Latest developments

### Growing strategy

AuMs (MM€) ▲ 239

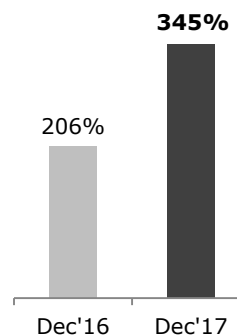


ROTE

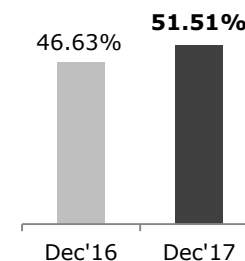


### Liquidity

LCR ▲ 139%

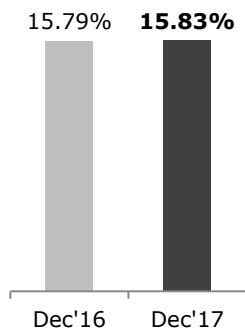


LtD

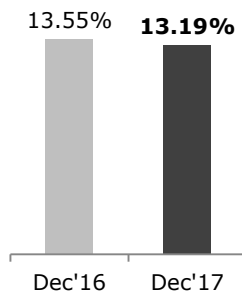


### Capitalisation

TIER1 ▲ 0.04%

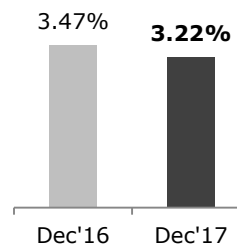


CET1

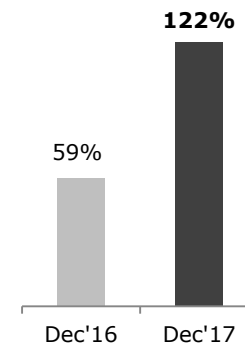


### Asset Quality

NPL ratio ▼ 0.25%



Coverage ratio ▲ 63%



## 2. Solvency position

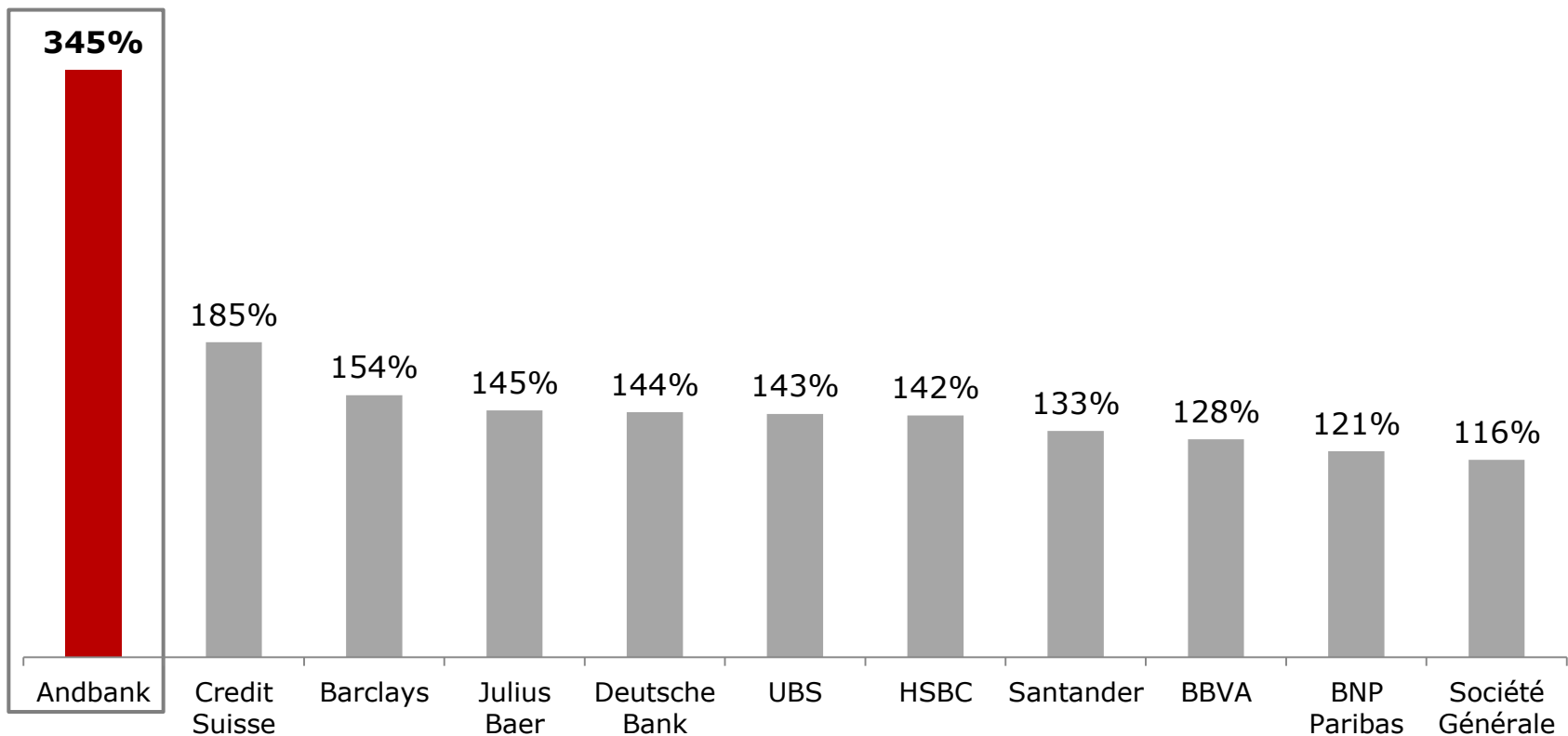
**Andbank maintains a solid solvency position, significantly above minimum levels required by regulations with a leading position in the international market**

Bank	TIER1 (Dec'17)
Morgan Stanley	20.0%
Credit Suisse	18.9%
UBS Group	18.3%
Deutsche Bank	16.8%
<b>Andbank</b>	<b>15.8%</b>
Citigroup	14.5%
Bank of New York	14.2%
Crédit Agricole	14.1%
JP Morgan Chase	13.9%
Bank of America	13.4%
BBVA	13.0%
Natixis	12.9%
Santander	12.8%
Goldman Sachs	12.7%

Bank	Leverage ratio (Dec'17)
Citigroup	8.8%
Bank of America	8.6%
Goldman Sachs	8.4%
Morgan Stanley	8.3%
JP Morgan Chase	8.3%
<b>Andbank</b>	<b>6.8%</b>
BBVA	6.7%
Bank of New York	6.6%
UBS Group	5.8%
Credit Suisse	5.6%
Santander	5.3%
Crédit Agricole	4.4%
Deutsche Bank	4.1%
Natixis	4.1%

## 2. Liquidity position

**Andbank has a strong liquidity position. As of December 2017, the Group's LCR ratio stood at 345%**

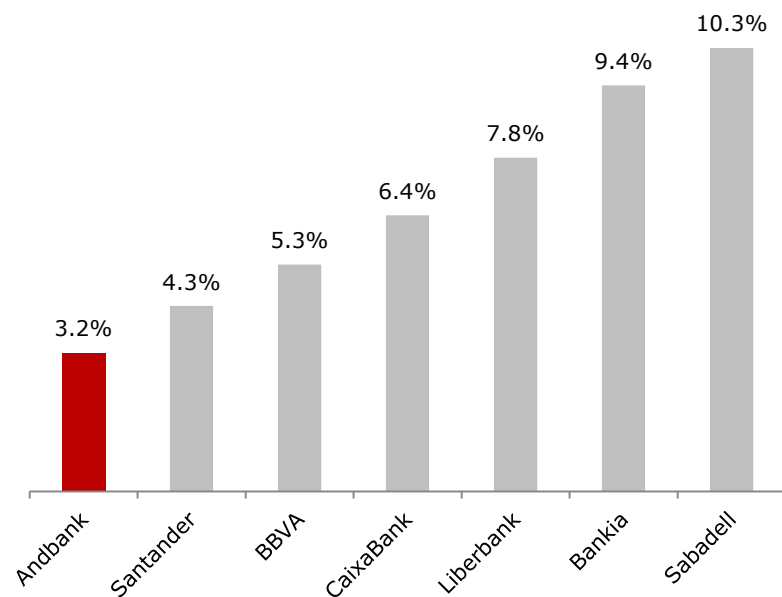


(1) Source: Bloomberg, 10/04/2018

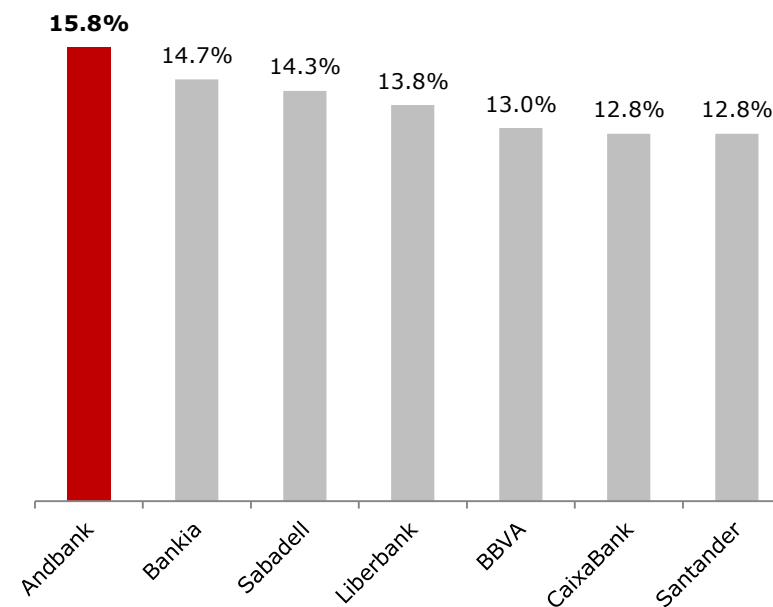
## 2. Spanish peers

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

**NPL ratio**



**TIER1**



(1) Source: Bloomberg, 10/04/2018

## 2. Soundness of Andbank's key ratios<sup>(1)</sup>

	2010	2011	2012	2013	2014	2015	2016	2017
<b>Assets (MM€)</b>	3,205	3,368	3,701	4,043	4,898	5,064	4,987	4,423
<b>AuMs (MM€)</b>	7,696	9,161	11,048	13,473	21,451	22,760	21,990	22,229
<b>Cost-to-income (%)</b>	51.4	54.5	54.9	55.7	60.5	75.6	74.7	81.2
<b>Net profit (MM€)</b>	40.8	54.2	56.6	64.1	64.3	54.0	44.6	39.2
<b>Net equity (MM€)</b>	415	443	446	482	539	552	478	507
<b>RoE (%)</b>	10.6	12.6	12.5	13.8	12.7	10.0	8.5	7.5
<b>NPL (%)</b>	3.8	3.6	3.7	3.9	3.6	3.3	3.5	3.2
<b>Coverage ratio (%)</b>	42.0	46.0	49.0	58.4	67.7	69.0	59.3	122.5

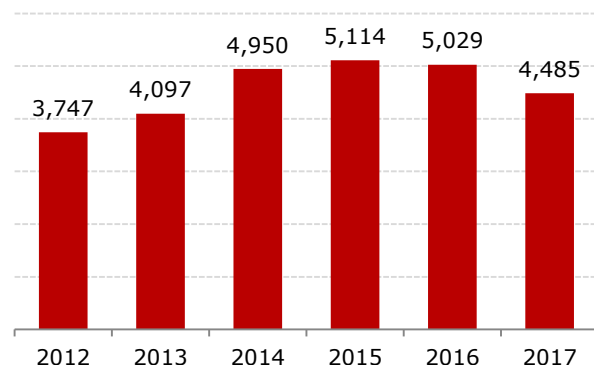


## 2. Asset side

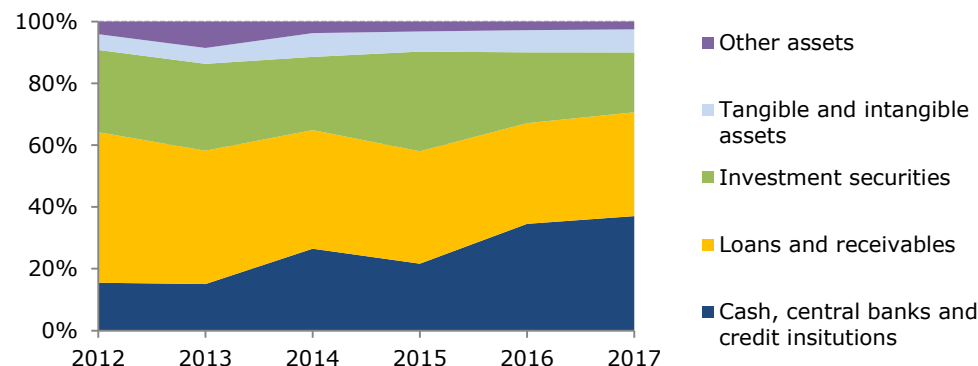
	2012	2013	2014	2015	2016	2017
A. Cash, central banks and credit institutions	580	617	1,311	1,107	1,737	1,661
B. Loans and receivables	1,825	1,768	1,900	1,860	1,638	1,507
C. Investment securities	997	1,151	1,172	1,649	1,152	868
D. Tangible and intangible assets	191	210	381	333	361	335
E. Other assets	154	351	186	165	141	114
<b>Total assets <sup>(1)</sup></b>	<b>3,747</b>	<b>4,097</b>	<b>4,950</b>	<b>5,114</b>	<b>5,029</b>	<b>4,485</b>

Figures in MME <sup>(2)</sup>

**Total assets (MME)**



**Breakdown of total assets**



Since 2012, **total assets** have **increased** by 738MME or **19.7%**.

The share of **loans** in total assets has **slightly decreased** to 33.6%, compared to 2012 (48.7%). On the other hand, the share of **cash balances** has **increased further** from 15.5% in 2012 to 37.0% in 2017.

(1) Total assets before provisions  
(2) Figures translated into Andorra GAAP to make comparable series

## 2. Asset side

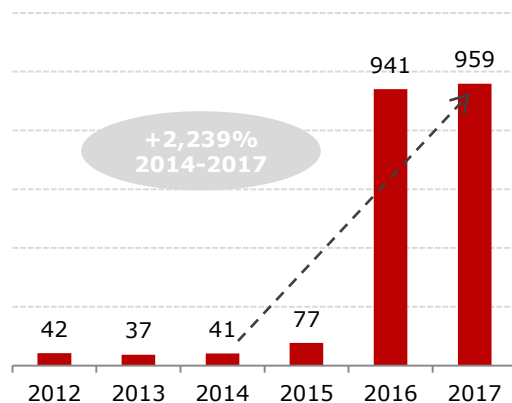
### A. Cash, central banks and credit institutions

	2012	2013	2014	2015	2016	2017
Cash and central banks	42	37	41	77	941	959
Banks and credit institutions	538	580	1,270	1,030	796	702
<b>Total</b>	<b>580</b>	<b>617</b>	<b>1,311</b>	<b>1,107</b>	<b>1,737</b>	<b>1,661</b>

Figures in MME

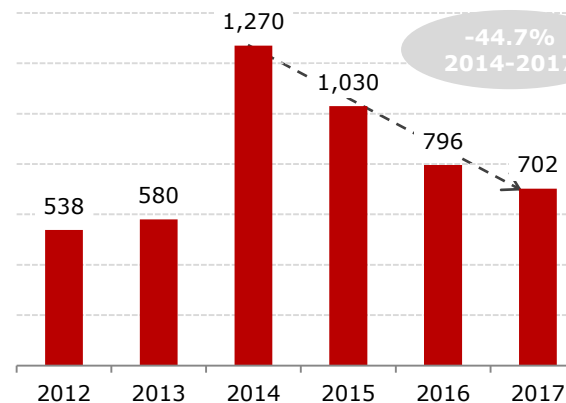
Since 2012, Andbank has **increased liquidity** in **cash and central banks**

Cash and central banks (MME)



Since 2014, **liquidity** in **cash and central banks** have **increased significantly** by 918MME or **2,239%**.

Banks and credit institutions (MME)



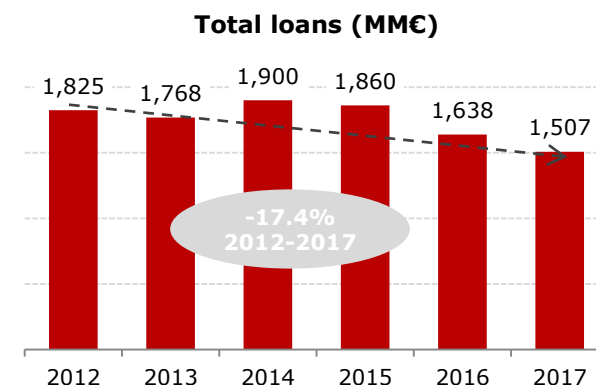
Since 2014, **assets** in **banks and credit institutions** have **decreased** by 568MME or **44.7%**.

## 2. Asset side

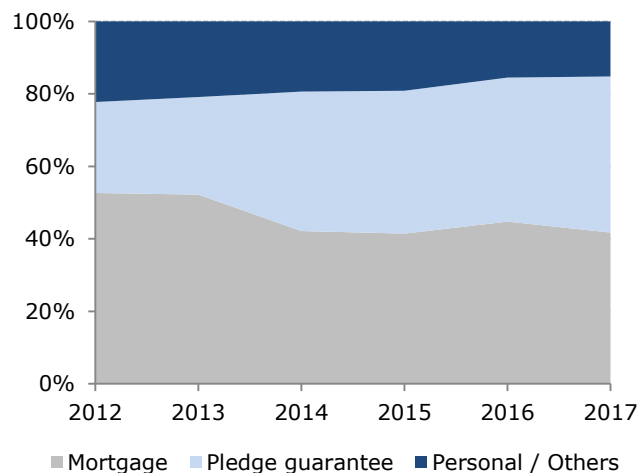
### B. Loans and receivables

Type of guarantee	2012	2013	2014	2015	2016	2017
Mortgage	961	923	801	771	733	629
Pledge guarantee	458	476	731	733	651	649
Personal / Others	406	369	368	356	254	229
<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>

Figures in MM€



#### Breakdown of total loans



	2012	2017	
Mortgage	52.7%	41.7%	↓
Pledge guarantee	25.1%	43.1%	↑
Personal / Others	22.2%	15.2%	↓

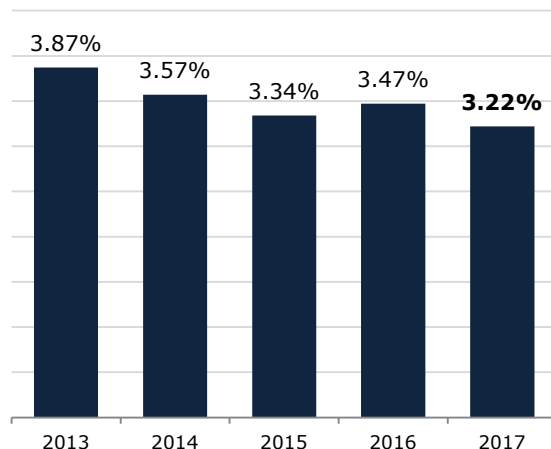
The share of **mortgage** in total loans has **decreased significantly** to 41.7%, compared to 2012 (52.7%). On the other hand, the share of **pledge guarantee loans** has **increased** from 25.1% in 2012 to 43.1% in 2017.

## 2. Asset side

### B. Loans and receivables - Asset quality

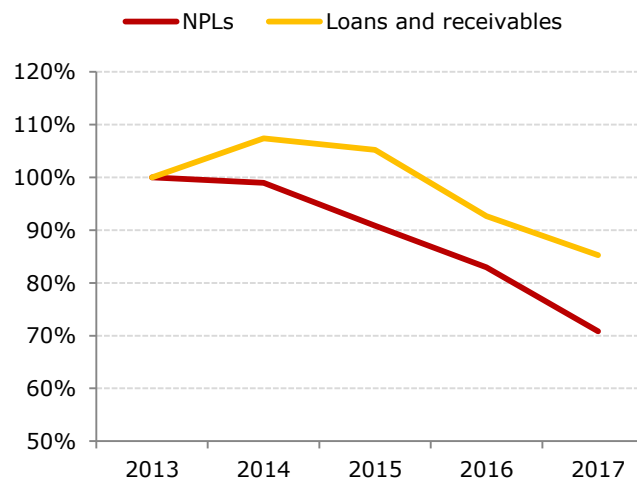
**Improvement in asset quality. The gross carrying amount of NPLs in December 2017 was 48.5MM€, a decrease of 29% during the last 5 years (-20MM€). This decline reflects the progress made to tackle the legacy assets issue**

NPL ratio



As of December 2017, the NPL ratio stands at **3.22%**. This ratio has decreased by 65bps since 2013

Figures in MM€	2013	2014	2015	2016	2017
NPLs	68.5	67.8	62.2	56.8	48.5
Loans and receivables	1,768	1,899	1,860	1,638	1,507



The decrease in the ratio has been driven by a **reduction of NPLs**, which compensates the decreasing trend of the total loans volume

## 2. Asset side

### B. Loans and receivables - Asset quality

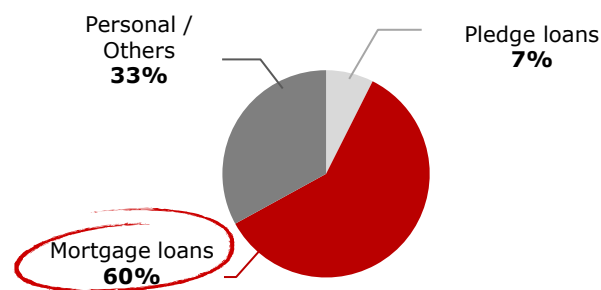
#### By guarantee type

	Loans	NPL	NPL ratio
Pledge loans	649.6	3.6	0.6%
Mortgage loans	628.9	28.9	4.6%
Personal / Others	228.6	16.0	7.0%
<b>Total</b>	<b>1,507.1</b>	<b>48.5</b>	<i>Figures in MM€</i>

#### By geography

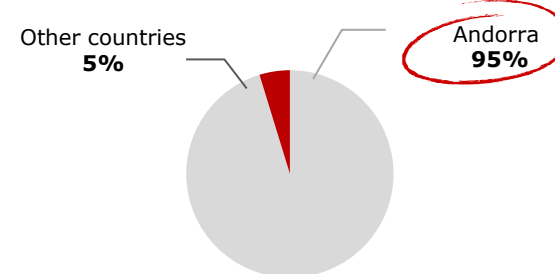
	Loans	NPL	NPL ratio
Andorra	885.9	46.2	5.2%
Other countries	604.0	2.3	0.4%
Securities lending	17.2	0	0.0%
<b>Total</b>	<b>1,507.1</b>	<b>48.5</b>	<i>Figures in MM€</i>

NPL by guarantee



**Mortgage loans** represents **60%** of total non performing loans

NPL by geography



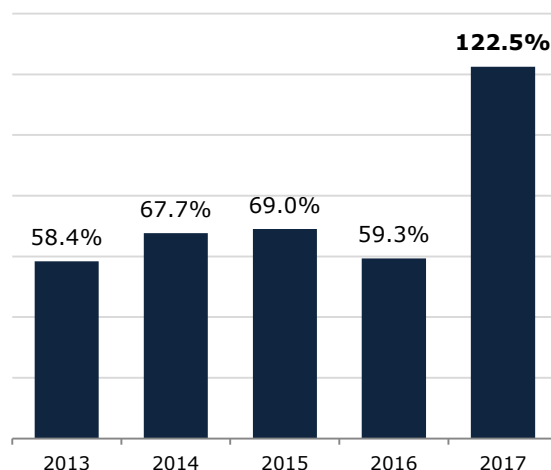
**95%** of total non performing loans are in **Andorra**

## 2. Asset side

### B. Loans and receivables – Coverage ratio

The coverage ratio increased to 122.5% in 2017. The reduction of NPLs as well as the significant increase of specific allowances for loans derived from the new accounting regulation have led to the increase of the ratio

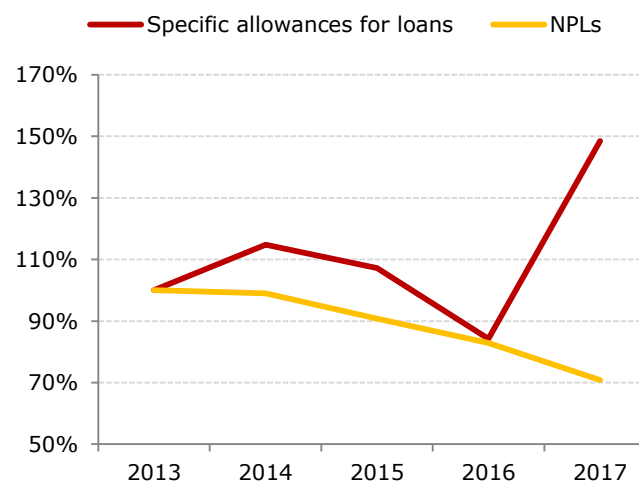
Coverage ratio



As of December 2017, the coverage ratio stands at **122.5%**. The adoption of international accounting standards (**IAS39**) introduced a new methodology for the calculation of specific allowances that caused its significant increase.

Figures in MM€

	2013	2014	2015	2016	2017
Specific allowances for loans	40.0	45.9	42.9	33.7	59.4
NPLs	68.5	67.8	62.2	56.8	48.5



In the last year, the upward trend of the ratio has been mainly driven by the **increase of specific allowances for loans (+76%)** and to the **reduction of NPLs (-15%)**

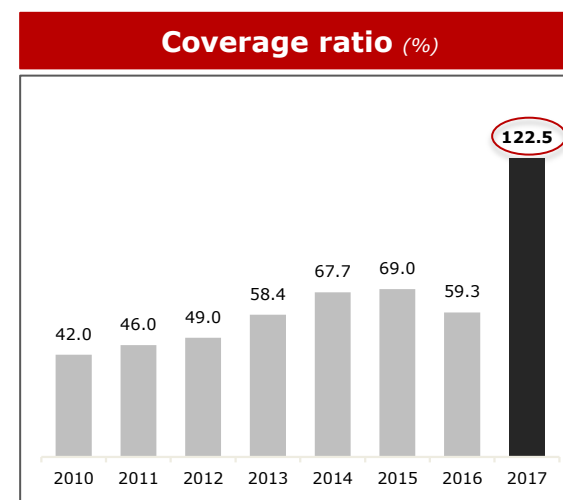
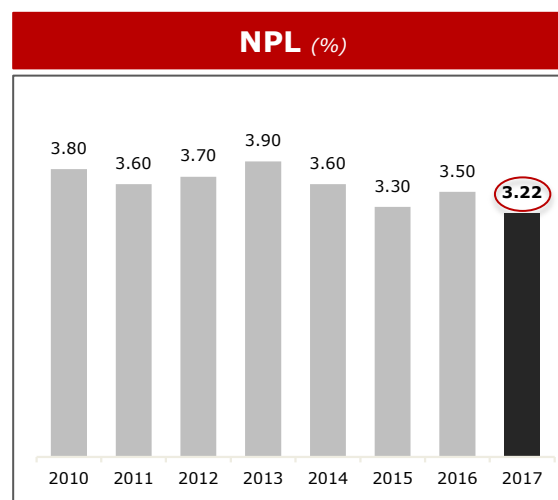
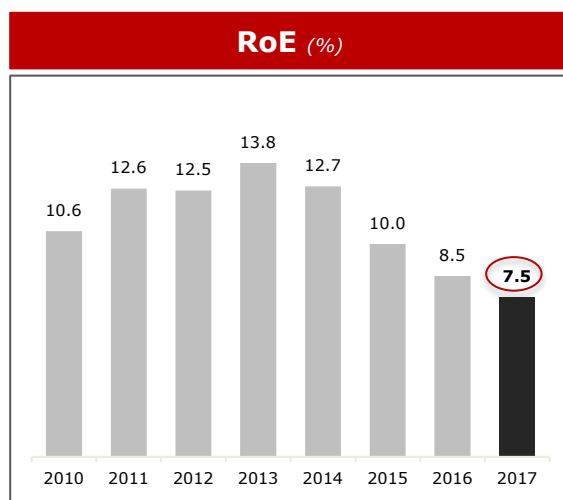
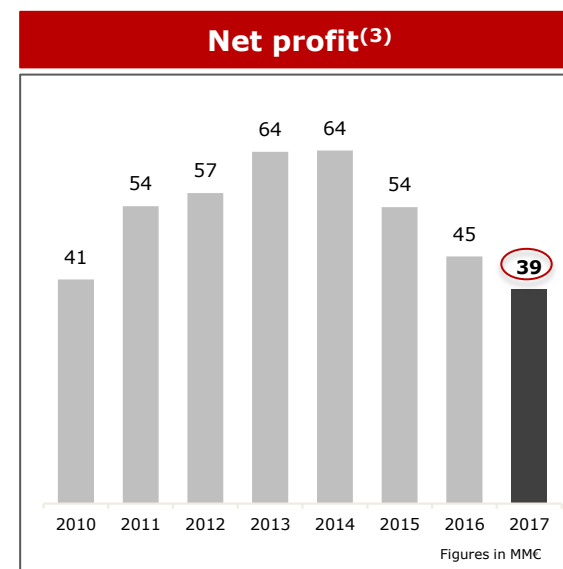
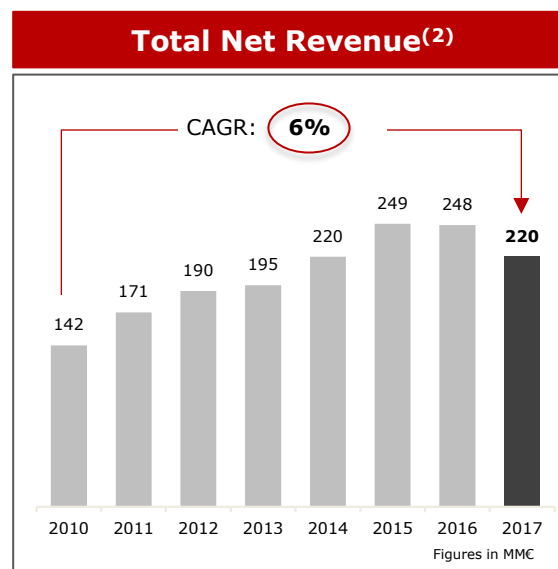
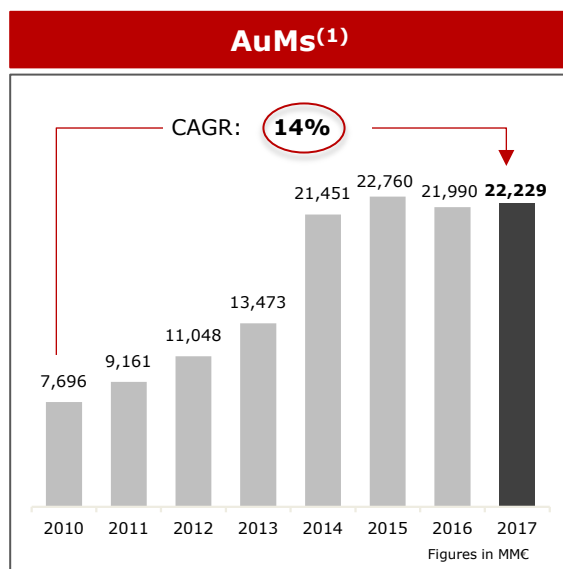
## 2. Asset side

### C. Credit quality of financial assets

Rating	2017	2016
<b>AAA</b>	446.2	330.1
<b>AA+</b>	10.4	0.6
<b>AA</b>	25.3	200.6
<b>AA-/Aa3</b>	10.8	51.5
<b>A+</b>	-	55.6
<b>A</b>	-	0.0
<b>A-</b>	86.3	2.1
<b>BBB+</b>	170.9	5.5
<b>BBB</b>	-	310.4
<b>BBB-</b>	-	122.0
<b>BB+</b>	12.0	1.6
<b>BB</b>	-	23.1
<b>BB-</b>	-	-
<b>B+</b>	-	0.1
<b>B</b>	0.0	-
<b>B-</b>	-	16.1
<b>CCC/CC/C</b>	-	0.0
<b>DDD/DD/D</b>	-	-
<i>Not applicable</i>	19.0	27.6

Figures in MM€

## 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. 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>		

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

## 2. Andbank Fitch Report

**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
<b>Andorra</b>	A- (Negative)	BBB+ (Stable)	BBB (Stable)	BBB (Positive)
<b>Andbank</b>	A- (Negative)	BBB (Stable)	BBB (Stable)	BBB (Stable)

**... on the short-term an upgrade is expected on Andorra's IDR**

# Table of contents

---

**1.** Overview of Andorra

**2.** Andbank at a glance

**A. Appendix**

## A. Profit & Loss Statement

*Figures in MM€*

	2010	2011	2012	2013	2014	2015	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>
Net Interest Income	45	51	56	43	50	51	38	29
Interest revenue	62	79	97	112	141	146	75	52
Interest expense	-17	-28	-41	-69	-90	-95	-37	-23
Net fees and commission revenue	87	109	105	111	121	159	147	147
Net trading revenue	9	9	27	39	49	38	63	43
Other	1	1	1	1	0	1	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>
Personnel expenses	-40	-51	-60	-64	-79	-106	-107	-104
G&A expenses	-33	-37	-44	-34	-40	-63	-65	-61
Amortization	-10	-11	-9	-7	-11	-19	-14	-13
Depreciation	0	-1	-5	-2	-4	-1	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>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>
Provisions & Extraordinary	-18	-14	-11	-16	-15	-3	-12	3
<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>
Tax expense	1	-2	-4	-6	-7	-3	-6	-5
<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>

(1) Annual accounts under IFRS regulation

## A. Balance Sheet Statement

*Figures in MM€*

	2010	2011	2012	2013	2014	2015	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>
Interbank Deposits	455	452	579	616	1,310	1,107	1,595	1,447
Loans and receivables	1,611	1,684	1,793	1,728	1,854	1,817	1,708	1,669
Securities	949	940	994	1,147	1,170	1,646	1,194	864
Intangible assets	12	47	48	54	212	235	230	251
Tangible assets	117	129	134	147	167	93	25	35
Prepayments & accrued income	26	47	57	38	50	49	18	32
Other assets	35	69	96	313	136	116	218	126
<b>Total Assets</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>4,987</b>	<b>4,423</b>
Customer Funds & Repos	2,709	2,762	3,031	3,334	4,106	4,129	3,998	3,245
Debt securities	23	9	68	81	66	174	160	408
General risks reserve	9	16	14	17	21	20	0	0
Accrued expenses & deferred inc	17	23	24	26	34	41	16	25
Subordinated liabilities	-	-	-	-	-	50	52	52
Other liabilities	32	115	118	102	132	98	282	185
Share capital	78	78	78	79	79	79	79	79
Reserves	297	311	330	357	396	419	355	389
Profit	41	54	38	46	64	54	45	39
<b>Net Equity and Total Liabilities</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>4,987</b>	<b>4,423</b>

(1) Annual accounts under IFRS regulation

ANDBANK /  
*Private Bankers*

[www.andbank.com](http://www.andbank.com)