

## The Andorran banking sector increases its capital adequacy and liquidity

- The sector closes the year with an average return on equity (ROE) of 10.93%, 5 points above the average of the European banking sector
- The Association of Andorran Banks presents its annual publication “Andorra and its financial system 2015” which includes the aggregate data of the Andorran banking system

**Andorra, July 14, 2016.-** The Association of Andorran Banks (ABA) has presented the 2015 edition of its publication “Andorra and its financial system 2015” which contains the aggregate data of all operating banks in Andorra. The ABA intends for this publication to be used as a consultation tool, contributing to a greater awareness of the Principality of Andorra and particularly of the banking sector.

At year-end 2015, the four banks’ capital adequacy rating was 22.78%, which represents an increase of more than 2 point with respect to the previous year and doubles the requirements of the Andorran banking regulations. The liquidity ratio has also increase by 3 points reaching 71.24%. These figures, which exceed the ratios set in Andorra, prove the soundness of the Andorran banking sector and strengthens its international image.

The cautious and conservative management of the four Andorran banking groups has enabled them to obtain good ratings in Fitch Ratings’ qualifications. Despite the turmoil created by the FinCEN note and the BPA case, the solvency level of the Andorran financial system has been valued positively by Fitch Ratings. Thus, Fitch has affirmed the ratings of Crèdit Andorrà, Andbank and Mora Banc at ‘BBB’, ‘BBB’ i ‘BBB-’, respectively, with a Stable Outlook and a short-term foreign currency at ‘F3’.

Andorra’s latest rating from Standard & Poor’s (S&P) was given on February 12, 2016, where the agency maintains the BBB-/A-3 rating. S&P states that the economy is following the growth path started in 2014 and foresees moderate growth between 1% and 2% for the 2016-2018 period.

In turn, on September 11, 2015, Fitch rated the country for the first time giving it a BBB with a stable prospect.

### **Increase of the assets under management and decrease of the default ratio**

The aggregate profit of the sector for the year 2015 amounts to 168 million euros, which represents an 8.03% decrease with respect to year 2014. The low interest rates within the European Union have put downward pressure on the financial margin of the financial entities. The increase in costs, derived from international expansion and the adjustment to the new legal framework of the European banking sector, have also influenced.

The three main indicators of assets under managements have also increased. Following what was announced in the press conference, the assets under managements (customer deposits and guarded and non-guarded customer intermediations) for the 4 banks operating as of 31 December 2015, have increased 2.84% with respect to the previous year, reaching an historic high of 45,214 million euros. As per the customer intermediations (shares, investment funds, liabilities, etc) they have grown 2.80% representing a 75.41% of the managed assets. Customer deposits have also increased 2.97%. The Andorran banking sector closes the financial year with an average return on equity of 10.93% which represents 5 points above the average of the European banking sector.

The default ratio of the Andorran banks at year end was set at 4.03%, within considerably lower levels as to the ones registered in neighbouring countries. The close of 2015 registered a decrease of 0.09 points with respect to the previous year, reverting the upward trend derived from the worsening of the economic situation.

### **Strong international expansion**

In the last few years, the Andorran banking sector has developed a firm commitment to internationalise based on a sustainable and profitable growth. This internationalisation brings along regulatory demands which Andorra is not alien to. The Andorran banking sector is present in Europe, the United States, Latin America and the Middle East.

This strong internationalisation goes hand in hand with the transformation of the country. The Principality is aligning its legislative framework to the Community acquis developments and in particular to the banking and financial legislation and the prevention of money laundering and the financing of terrorism. In this context of

alignment with international standards, Andorra has opted for a transparent and modern legal framework, in line with those in other countries and financial centres. The new law on the automatic exchange of information in tax matters is foreseen to come into force in January 2017 which will align the Andorran banking sector to the rest of European banks.

The Andorran banking sector is ready to face all these changes, in particular, the adaptation of its services and procedures to international standards in order to compete on a level playing field with the rest of the world's financial centres.

### **About ABA**

*Founded in 1960, ABA brings all the Andorran banks together, representing their interests, guaranteeing good banking practices and taking initiatives aimed at improving the technical standards of the sector.*

For any inquiries or further information with regards to ABA, please contact:

Jordi Sacristán [j.sacristan@romanyasociados.es](mailto:j.sacristan@romanyasociados.es) - 666 47 99 56 - 93 414 23 40