

2017 Annual Report



Andorran Banking
Excellence and trust

Andorran Banking

C/ Ciutat de Consuegra, 16 - Edifici l'illa, esc. A, 2n
AD500 Andorra la Vella - Principat d'Andorra
Tel. +376 807 110 - Fax +376 867 110
andorranbanking@andorranbanking.ad
www.andorranbanking.ad



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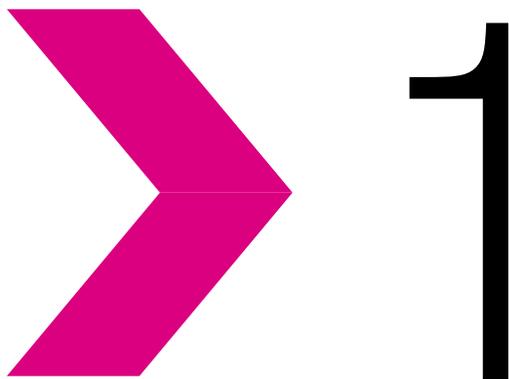
 **2017 Annual Report**

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Note: The legislation in this publication is updated through 30 April 2018.



Foreword by the Chairman of Andorran Banking

2017 was a transformative year world-wide, with obvious changes in multiple sectors, the global banking sector among them. Both the Principality of Andorra in general and the Andorran banking sector in particular are optimistic about these changes and are working to become ever more competitive in an increasingly globalised environment.

In terms of the Andorran economy, 2017 was a year of growth consolidation, spurred by the satisfactory growth rates in neighbouring economies. This is reflected in the positive employment figures and the creation of wealth. The number of visitors to the Principality remained at levels above 8 million tourists. GDP grew by 1.9%; inflation at December 2017 stood at 2.6% and consumer indicators continued to evolve positively; vehicle registrations increased by 18.2% and imports were up by 6.6%.

The banking sector is a pillar of the Principality's economy which in 2017 consolidated its adaptation to international standards while achieving good financial results. The sector closed the year on a positive note in terms of business results and financial assets but at the same time saw its aggregate profits corrected downward due to monetary policies and the costs inherent to the implementation of new international directives.

More specifically, the banking sector as a whole ended 2017 with a 1.55% increase in assets under management compared to the year before, achieving an aggregate volume of more than €46 billion.

The positive evolution of the Andorran banking sector demonstrates its strength and stability at a time of transition to the new international standards on transparency and solvency.

Attributed net profit stood at €131 million, in line with the forecasts in a context of low interest rates that have been affecting financial margins since 2014, the rising costs of adapting to the new regulatory framework for the European banking sector and the investment in international implementations and technological innovations being carried out by several of the entities based in Andorra.

Also worthy of note is the Andorran banking sector's return on equity (ROE). At the end of 2017 this indicator stood at 9.85%, above the European average of 6.1% and also above that of some neighbouring countries such as Spain (7.0%), Switzerland (4.0%) or Germany (1.7%), according to data from the European Banking Authority (EBA).

The banking sector is characterised by a management model whose robustness is based on solvency and liquidity. At 31 December, the consolidated solvency ratio of the five banks was 21.74%, which demonstrates the banks' willingness to strengthen their capital, greatly exceeding the minimum rate set by Andorran regulators. The three and a half point difference with respect to last year is explained by the impact of the first-time application of the International Financial Reporting Standards (IFRS), an essential tool for the transparency and comparability of financial statements. The liquidity ratio was 65.37%, almost four points more than the year before.



 **Ricard Tubau**
Chairman of Andorran Banking

Andorran banks continue to be committed to the growth of the local economy, granting €1,837 million in loans, which represents 31% of all credit investment.

These results attest to the progress being made by the sector and its ability to adapt to the most demanding international standards of transparency. Andorra has modified its regulatory and legal framework to meet these requirements, in line with the adaptation carried out by other international banking centres.

The Andorran Banking Association applauds the efforts of our country's banks to open the economy, to make it visible on an international scale and to promote the process of economic diversification. In this regard, we support the initiative of the Andorran Government to organise the first *Andorran Financial Summit* last October, where more than 200 representatives of global banks and international regulators met to learn more about our country's banking sector and model. Participants highlighted values such as security, dynamism and professionalism, all of which make the banking sector attractive to direct foreign investment.

International expansion is also an exercise in transparency and standardisation. In this regard, the banking sector and the Government of Andorra are making great strides.

Over the last two years, this transformation has been reflected in the adoption of a law on the automatic exchange of tax information and the transposition of the Directive on the prevention of money laundering and terrorism financing, work that has been supported to date by Moneyval within the framework of the fifth country evaluation, as well as the inclusion of tax

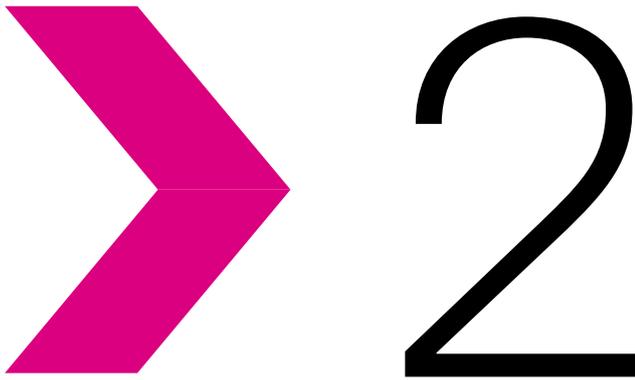
offences in the list of predicate offences for money laundering.

A continuing challenge faced by the Andorran banking sector is the need to constantly improve customer service through face-to-face and digital channels. In this area, a great deal of emphasis has been placed on digital transformation. In short, what we seek is continuous improvement in the very highest standards of the quality of banking services.

Day after day, Andorran banks reaffirm the confidence placed in them and the commitment to continue working diligently to guarantee the best practices and offer the highest quality services to our customers.

We hope that this report will shed light upon the Andorran financial sector, a sector that looks to the future with enthusiasm, but also with the solid experience of a financial centre with more than 85 years of history.

May 2018.



Organisation chart of Andorran Banking

Members of the General Assembly



➤ **Ricard Tubau**
Andbank
Chairman



➤ **Pedro González**
Mora Banc SAU
Vice-Chairman



➤ **Esther Puigercós**
Secretary and General
Manager



Commissions

Legal

Compliance

Regulatory

Tax

Credits

Communication

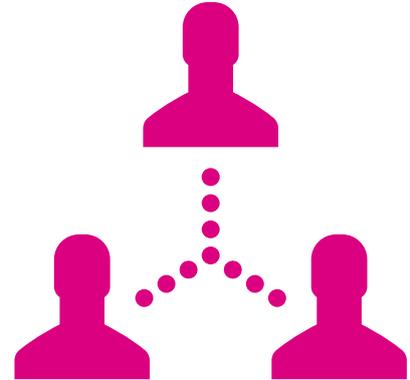
Portfolio

IT

Payments

Security

Human Resources



➤ **Fernando López**
Mora Banc



➤ **Xavier Cornella**
Crèdit Andorrà Group



➤ **Miquel Alabern**
BancSabadell d'Andorra



➤ **Michael Christner**
Vall Banc



Member

Chamber of Commerce, Industry and Services (CCIS)

Andorran Business Confederation (CEA)

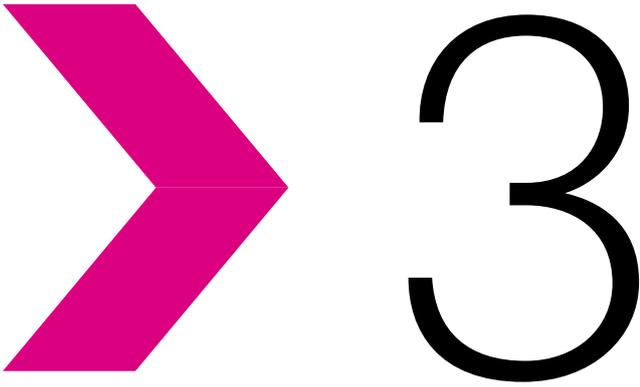
European Banking Federation (EBF)

Private Guardianship Foundation



Working groups

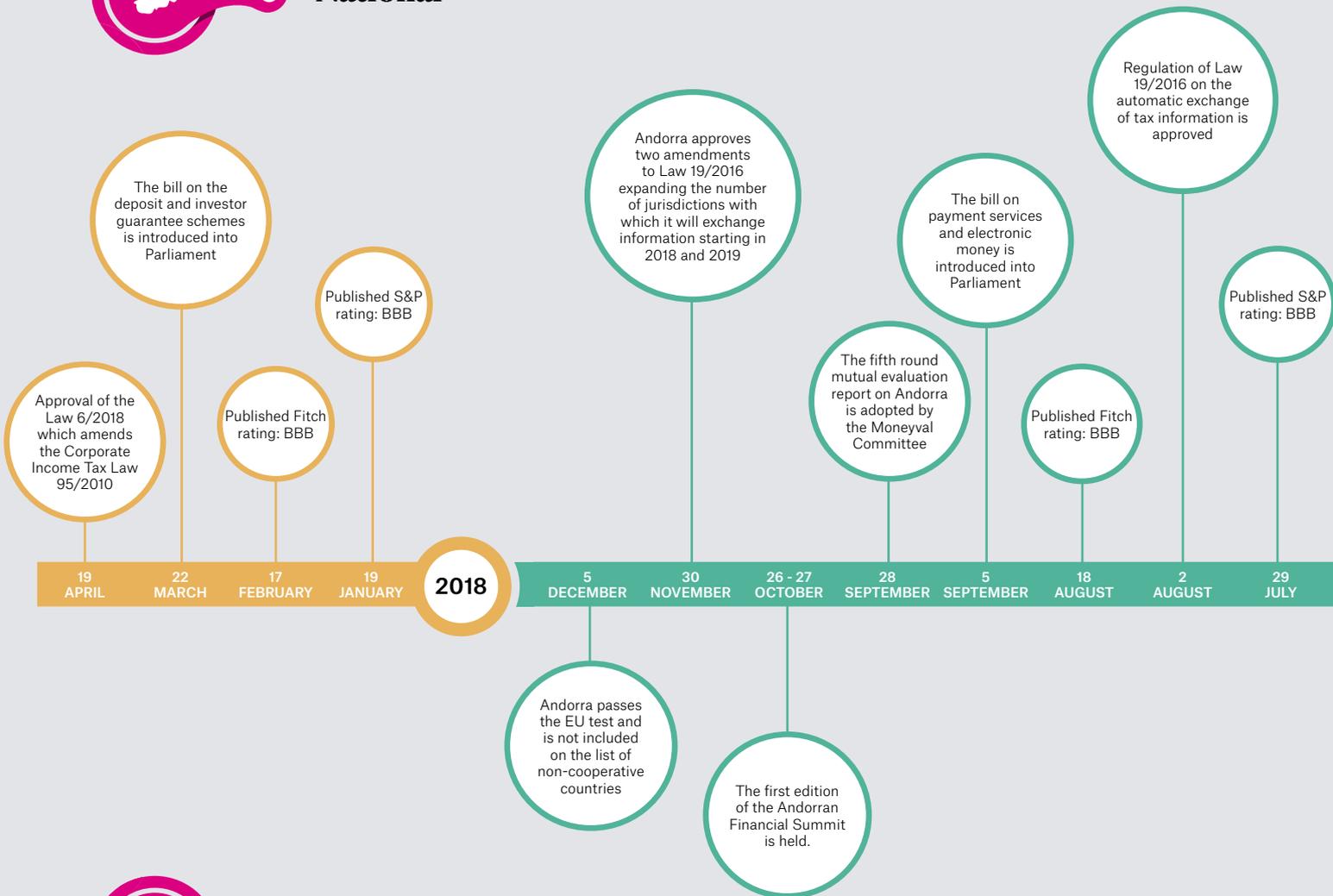
More than
10 working
groups



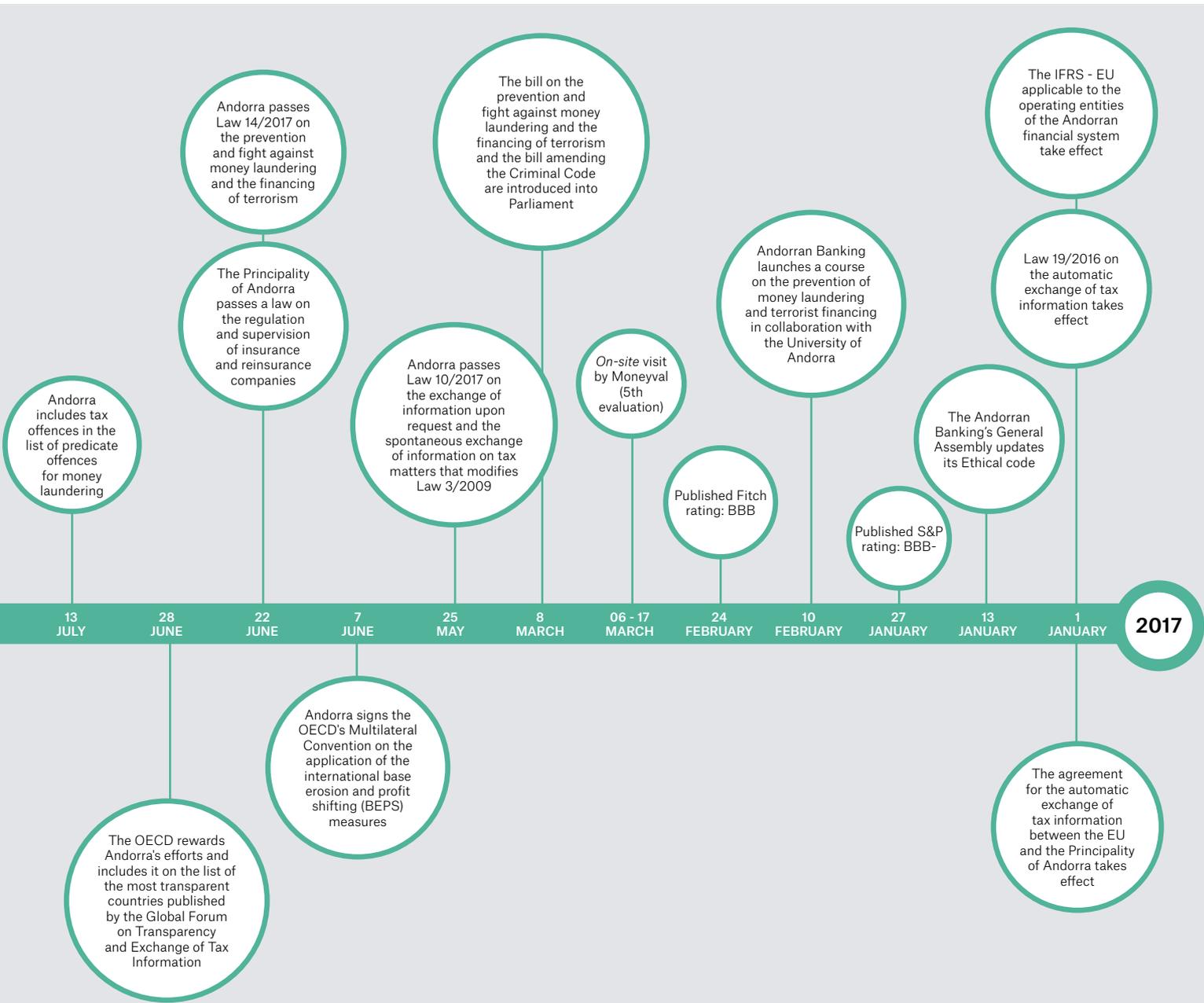
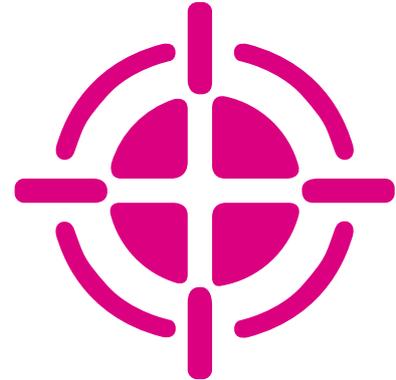
2017 - 2018 Overview

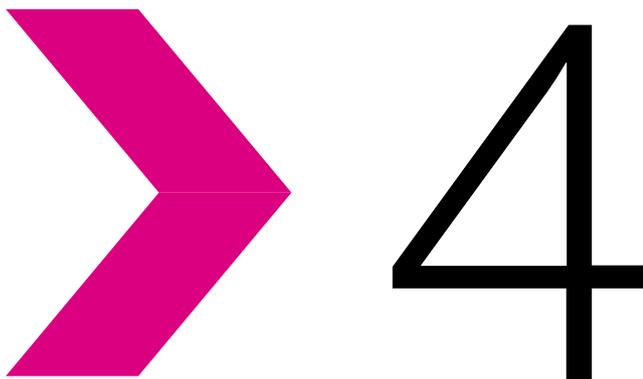


National



International





Chronology of the events linked to Andorra’s transformation process

Andorra has signed 24 TIEA and 7 DTA

2017	5 DECEMBER	Andorra passes the EU test and is not included on the list of non-cooperative countries.
	30 NOVEMBER	Andorra approves two amendments to Law 19/2016, expanding the number of jurisdictions with which it will share information starting in 2018 and 2019.
	26 - 27 OCTOBER	The first edition of the Andorran Financial Summit is held.
	28 SEPTEMBER	The fifth round mutual evaluation report on Andorra is adopted by the Moneyval Committee.
	13 JULY	Andorra includes tax offences in the list of predicate offences for money laundering.
	22 JUNE	Andorra passes a new law on the prevention and fight against money laundering and terrorism financing. Andorra passes a new insurance law.
	7 JUNE	Andorra signs the OECD's Multilateral Agreement on the application of the international base erosion and profit shifting (BEPS) measures.
	25 MAY	Andorra passes Law 10/2017 on the exchange of information upon request and the spontaneous exchange of information on tax matters that modifies Law 3/2009.
	6-17 MARCH	Moneyval <i>on-site visit</i> as part of the 5th evaluation.
	1 JANUARY	The AEOI agreement signed with the EU comes into force. The AEI Act comes into force. IFRS-EU standards come into force.
2016	30 NOVEMBER	Law 19/2016 on the automatic exchange of tax information is approved.
	26 FEBRUARY	The DTA signed between the Principality of Andorra and Spain enters into force.
	12 FEBRUARY	The AEOI agreement between the EU and Andorra is signed.

Abbreviations:

TIEA: Tax Information Exchange Agreement.

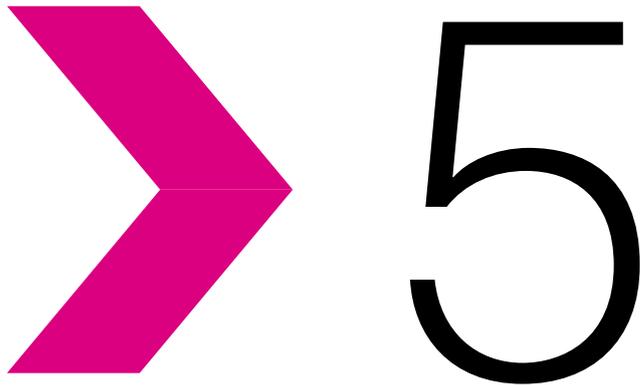
DTA: Agreement to avoid double taxation.

MCAA: Multilateral Competent Authority Agreement.

AEOI: Automatic exchange of information in tax matters.

Multilateral Convention: Convention on mutual administrative assistance in tax matters with the OECD.

2015	3 DECEMBER	Andorra signs the MCAA with the OECD.
	4 NOVEMBER	Andorra ratifies the AEOI agreement with the EU.
	14 SEPTEMBER	Andorra passes the 4th Moneyval evaluation and moves on to the 5th evaluation.
2014	16 JUNE	The OECD declaration on automatic exchange of information is adopted.
	JUNE	Peer Reviews Phases 1 + 2 (Global Forum).
	24 APRIL	The Personal Income Tax (IRPF) Act is approved. Negotiations begin for an Association Agreement between the EU and Andorra.
2013	5 NOVEMBER	Signing of the Multilateral Convention.
	11 OCTOBER	Mandate to negotiate a review of the Agreement on the taxation of savings income.
	OCTOBER	Phase 2 Peer Review (Global Forum).
	17 SEPTEMBER	The INAF is accepted as full member of IOSCO.
	1 JANUARY	The Indirect General Tax (IGI) Act comes into force.
2012	21 JUNE	The Foreign Investment Act is approved to fully liberalise foreign investment.
	MARCH	Start of the 4th Moneyval evaluation.
2011	AUGUST	Phase 1 Peer Review (Global Forum).
	30 JUNE	Andorra signs the Monetary Agreement with the European Union to convert the euro into Andorra's official currency.
	4 APRIL	Memorandum of Understanding signed between INAF and the Bank of Spain setting out a collaboration protocol between the two authorities.
2010	29 DECEMBER	A tax on corporations, income from business activities and non-residents income is approved.
2009	10 MARCH	Andorra signs the Paris Declaration, which sets out a timetable of legislative reforms to facilitate compliance with the OECD transparency requirements.
	7 SEPTEMBER	Law 3/2009 on the exchange of tax information upon request is approved.

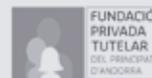


Activities undertaken by Andorran Banking and associations

Who are we

The Andorran Banking Association (ABA)

- **Represents the interests** of Andorran banks.
- **Monitors the reputation, development and competitiveness** of the banking sector both in Andorra and internationally.



What we do

The main tasks performed by Andorran Banking include:

- **Defending the reputation and development** of Andorran banks.
- **Improving the technical standards** of the banking sector.
- **Encouraging sectoral cooperation** and promoting effective competition.
- **Enforcing the ethical rules** inherent in the profession and specific to Andorran Banking.
- Participating in public or private institutions and foundations **to foster economic, cultural and social well-being** in Andorra.



Activities

5

collaboration agreements

with the Andorran Red Cross, Unicef, Càritas Andorrana, the Private Guardianship Foundation, the University of Andorra and the Business Students' Forum.

145

meetings of Andorran Banking Commissions

with the participation of 84 representatives of the member banks.

24

meetings of the governing bodies

of the Andorran Business Confederation and the Chamber of Commerce, Industry and Services of Andorra.

45

meetings

held with Government and banking supervisory bodies.

Around

43

published articles, interviews, press conferences and releases, statements.

4

employees

out of 2,658 bank employees.

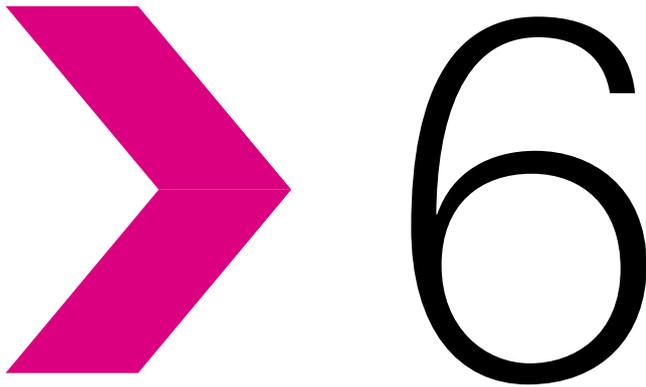
Around

200

Professionals from the international financial sector, including representatives of the Andorran Government, managers of international banks, fund managers, rating agencies and the media, gather at the first edition of the Andorran Financial Summit.

 **in**

Social media presence



Mission, vision and values of Andorran banks



Mission

To provide the best financial services in the area of retail banking, private banking and asset management to customers looking for experience, solvency, return on investment, proximity and security.



Vision

To maintain the trust of our customers through the professional excellence of our employees, the development of advanced products and a track record that spans more than 85 years, with the aim of being recognised as a leading global financial centre for retail banking, private banking and asset management.



Values



1 Professionalism and quality

With more than 85 years of experience, the banking sector has **highly qualified professionals** who work diligently to provide high quality products and services.

2 Internationalisation and added value services

The growth and resilience of Andorra's banking sector have been sustained by **higher added value** services, **extensive experience** in wealth and asset management, and **strong internationalisation** combined with sustainable and profitable growth

3 Integrity

Andorran banks act with honesty, loyalty and integrity so as **to preserve the trust and reputation** earned by the Andorran financial system vis-a-vis customers, professionals, institutions, markets and society at large.

4 Responsibility and solidarity

The banking sector has devoted years of work to developing **volunteering policies relating to corporate and social responsibility**, based on a responsible growth strategy and marked by a commitment to society.

5 Solvency

The continued **high solvency ratios** of Andorran banks have become one of their main characteristics and testify to a conservative and prudent approach.

6 Optimal tax framework

Andorra has streamlined and consolidated its tax framework to make it comparable to that of other countries. But the standardisation process **has preserved the country's tax competitiveness**.

7 Transparency and standardisation

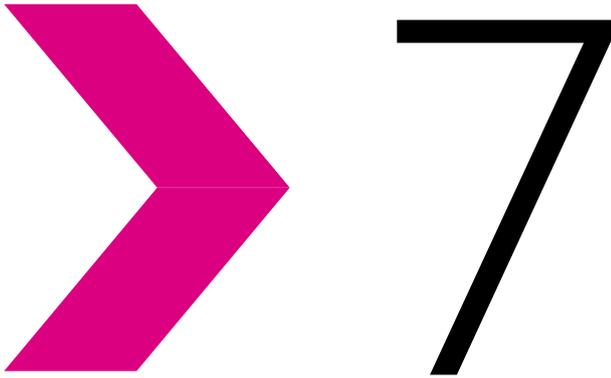
Andorra has undergone a deep transformation and has worked consistently to adopt **a transparent, modern legal framework** that matches that of other countries and financial centres, fully complying with the highest international standards.

8 Stability

Andorra is characterised by a **stable political and social environment** and enjoys a high level of safety.

9 Competitiveness and innovation

Andorra continues to work towards **bolstering its economic mainstays** and fostering the creation of new economic sectors. **A favourable business environment**, a multilingual educational system, different types of residence and a high standard of living all contribute to making Andorra an attractive destination.



Key figures

7.1. Banking sector

The financial system represents

5%

of all employees.

It contributes to approximately

21%

of Gross Domestic Product.

There are

5

Banking groups that offer both retail banking and private banking services.

More than

85

years' experience in banking with a presence in 14 countries.

In an international context of prolonged low interest rates over time combined with the higher costs associated with the new regulatory framework, net profits stood at

131

million euros with a ROE of **9.85%**.

The total number of employees is

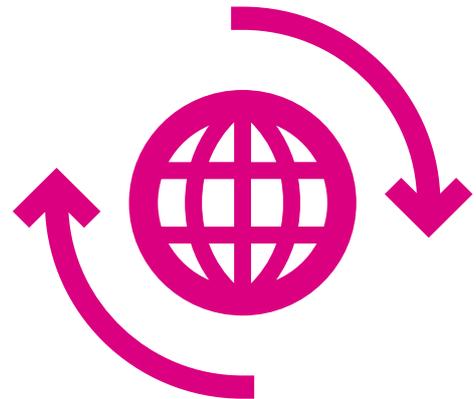
2017: 2,658



1,239



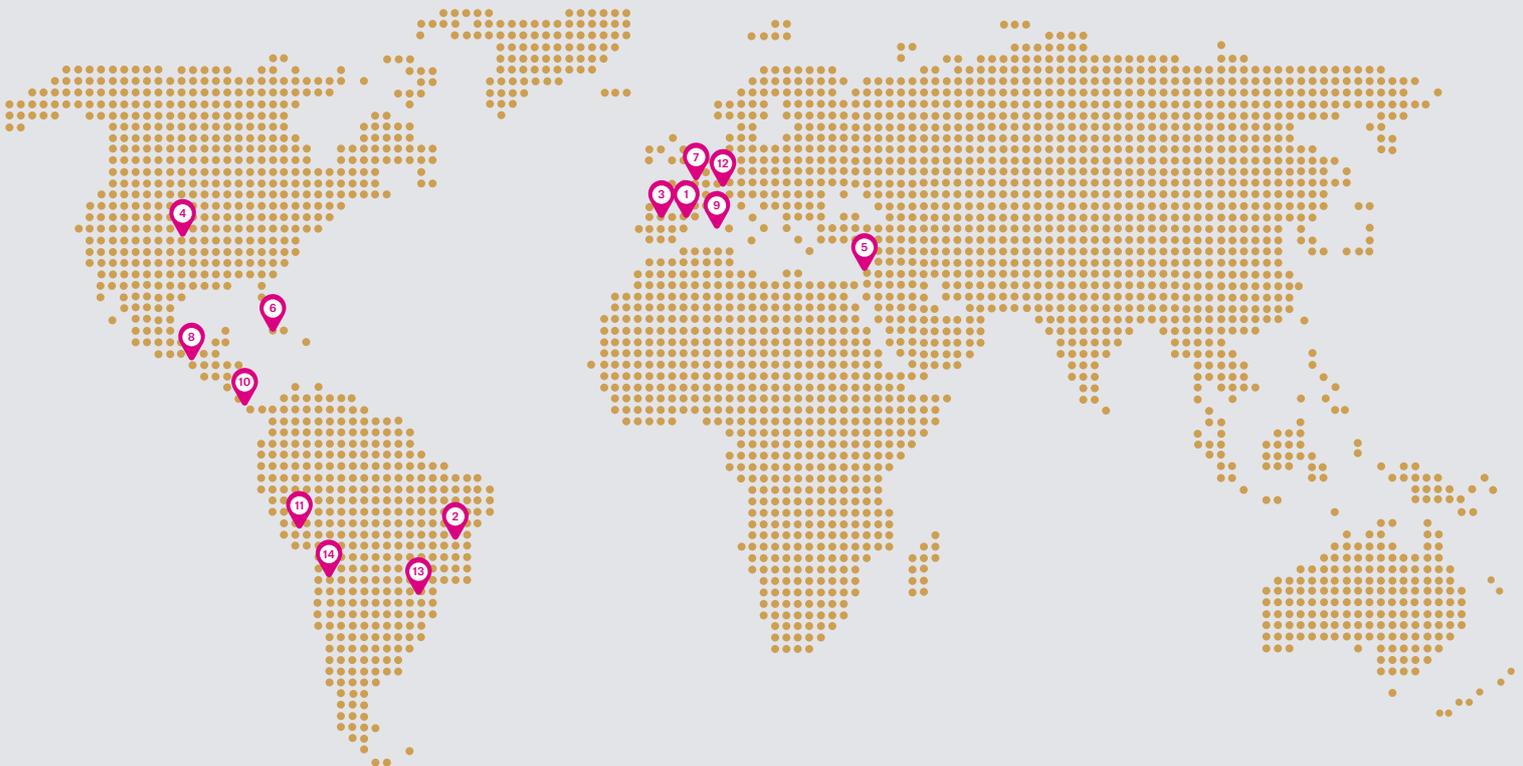
1,419



The international presence of Andorran banks



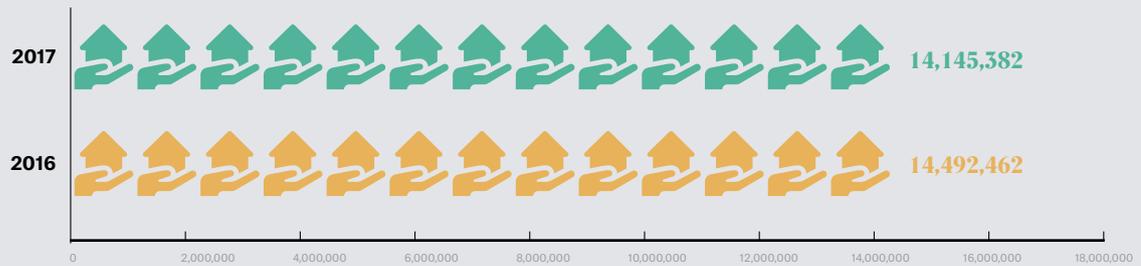
1 Andorra	6 The Bahamas	11 Peru
2 Brazil	7 Luxembourg	12 Switzerland
3 Spain	8 Mexico	13 Uruguay
4 United States	9 Monaco	14 Chile
5 Israel	10 Panama	



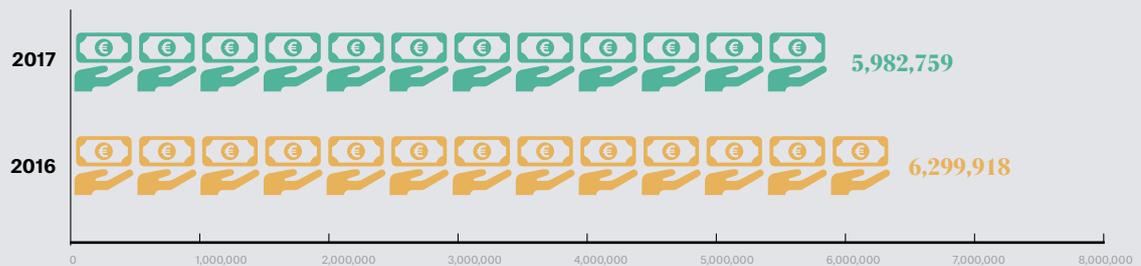


Banking sector data

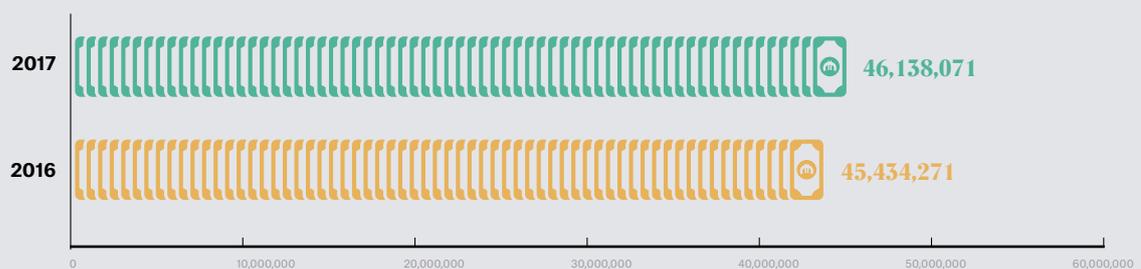
Total assets



Gross credit investment



Assets under management



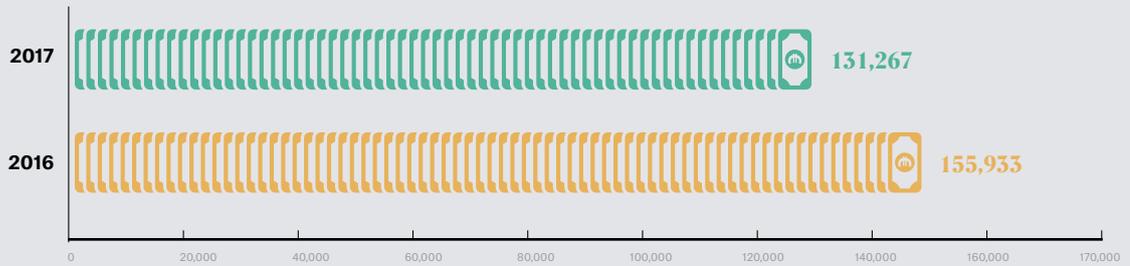
Customer deposits



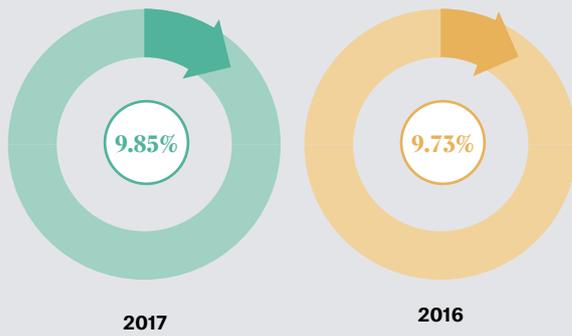
7 Key figures

Source: Annual reports from banks.

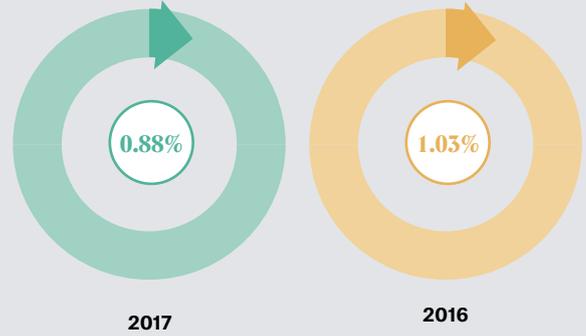
Results



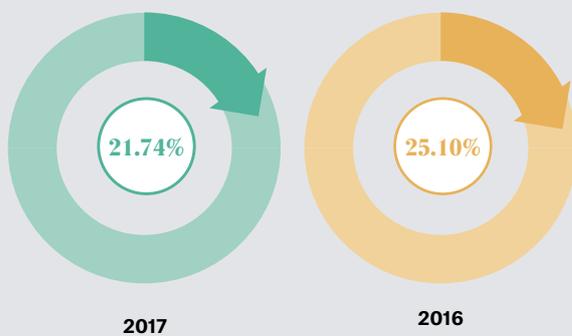
ROE



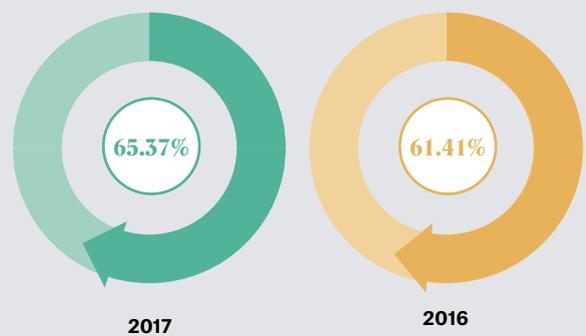
ROA



Solvency ratio



Liquidity ratio



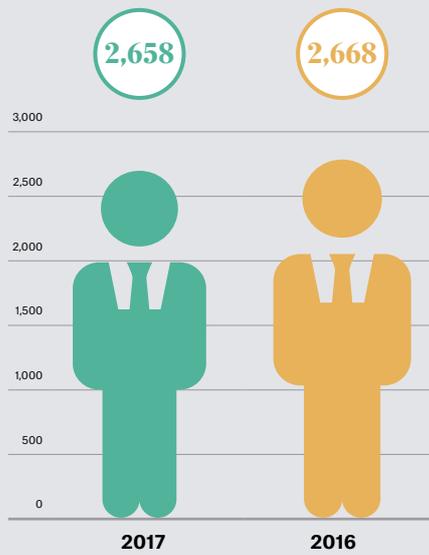
7 Key figures

Source: Annual reports from banks.

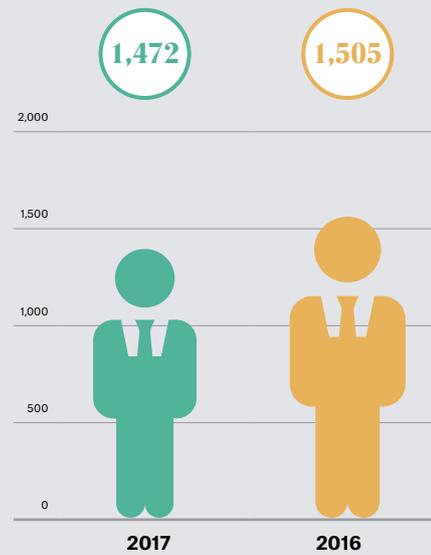


Banking employees

Andorra and abroad



Andorra



% of employees in the financial sector relative to the total % of employees



7 Key figures

Source: Annual reports from banks.



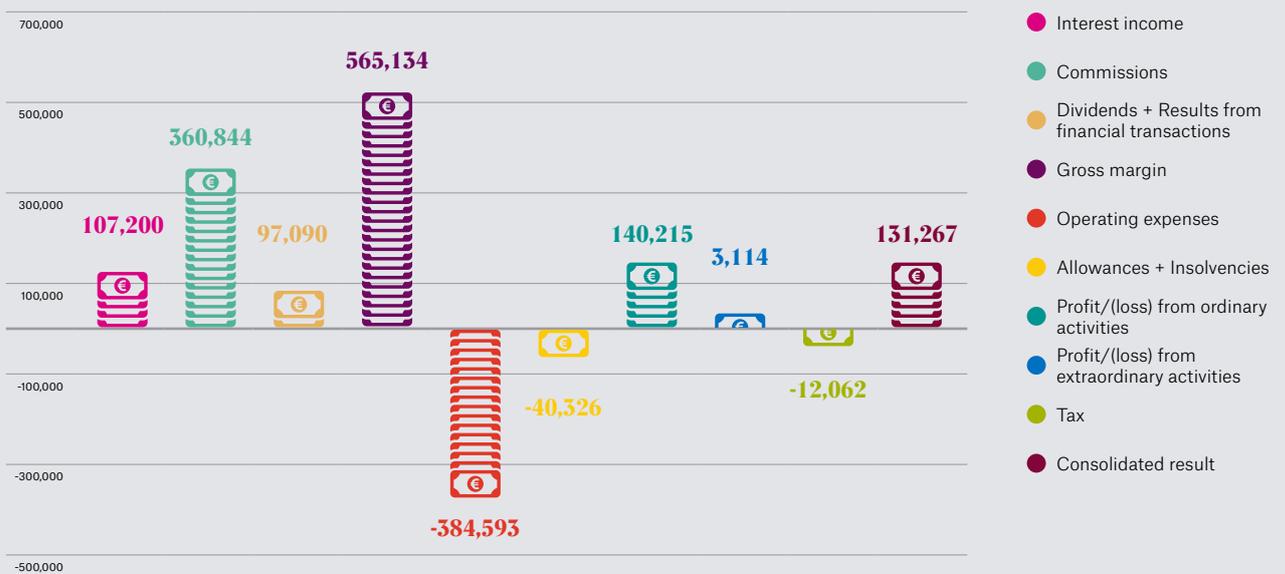
Long-term rating by bank

	ANDBANK <i>Private Bankers</i>	MORABANC	Crédit Andorrà	BancSabadell* d'Andorra	VALLBANC
2018	BBB	BBB-	BBB	-	-
2017	BBB	BBB-	BBB	-	-

* 51% owned by Banc de Sabadell.



Sources of revenues (Thousand euros)

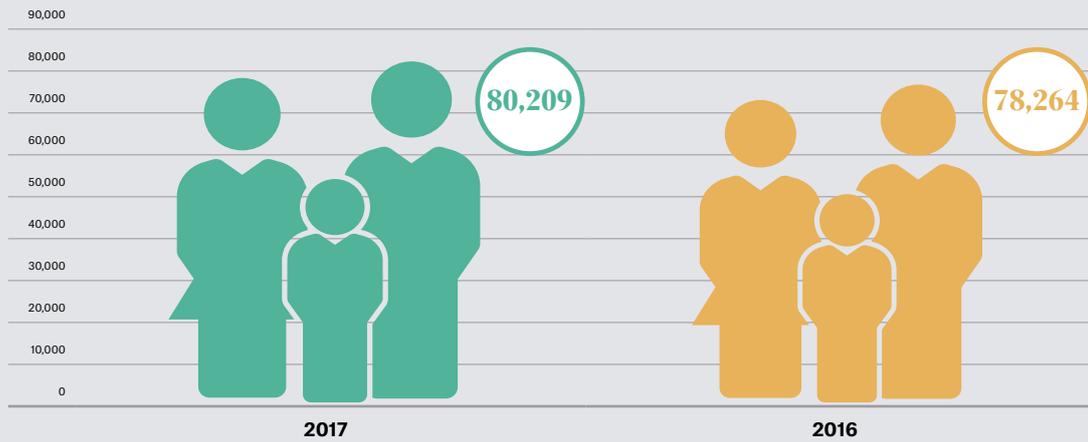


7.2. Country

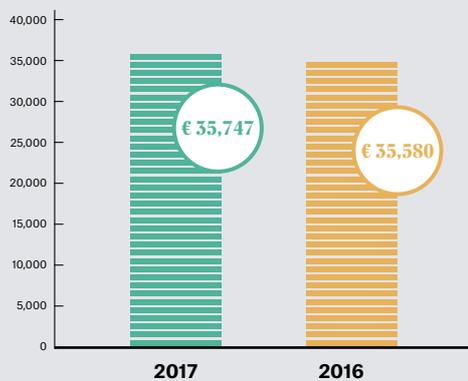


Relevant economic data

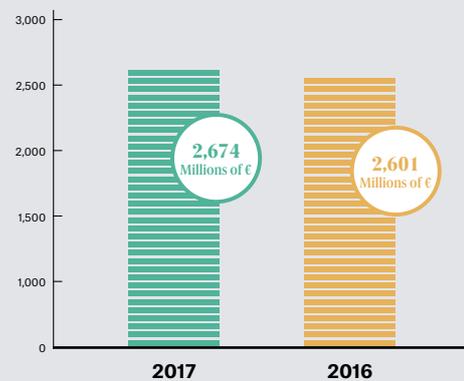
Registered population



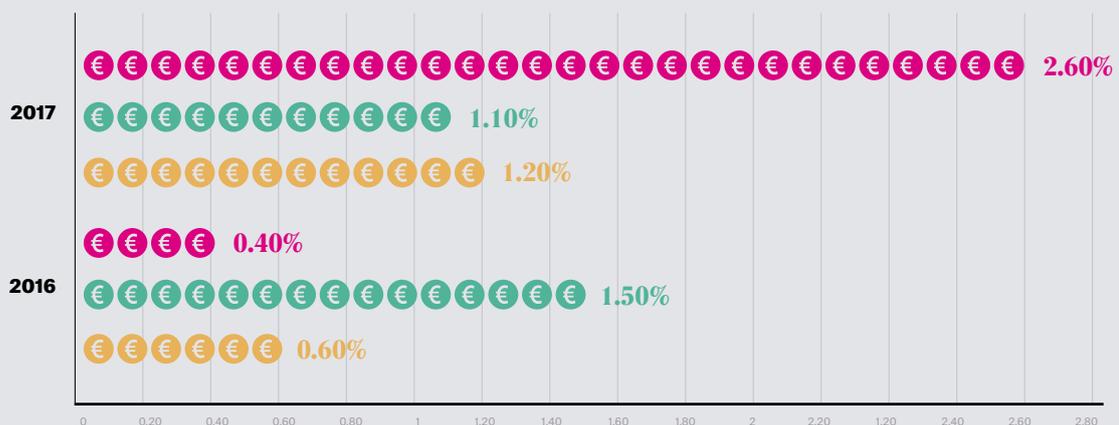
Revenue per capita (nominal)



GDP



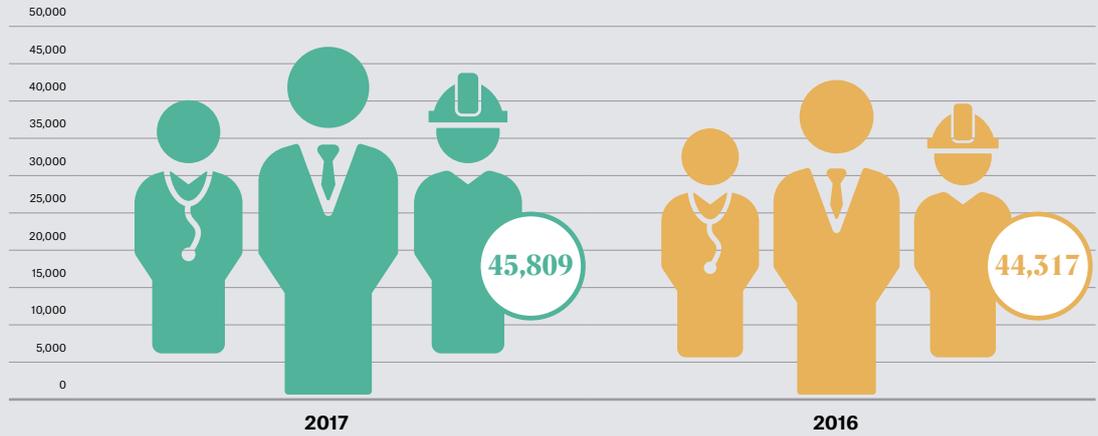
Inflation



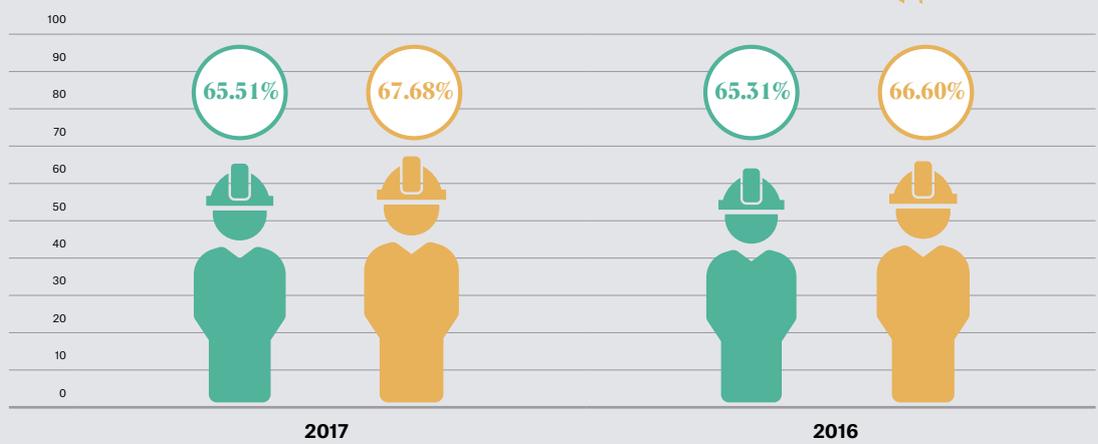
7 Key figures

Source: Department of Statistics of the Andorran Government.

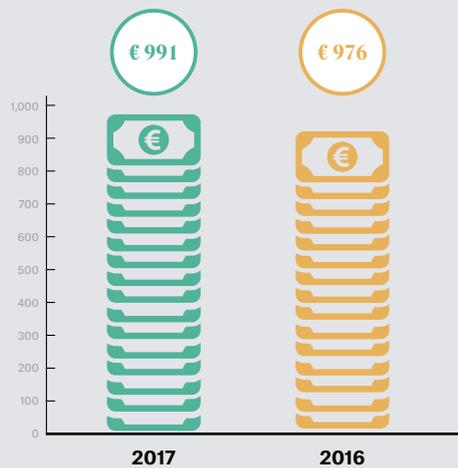
Jobs



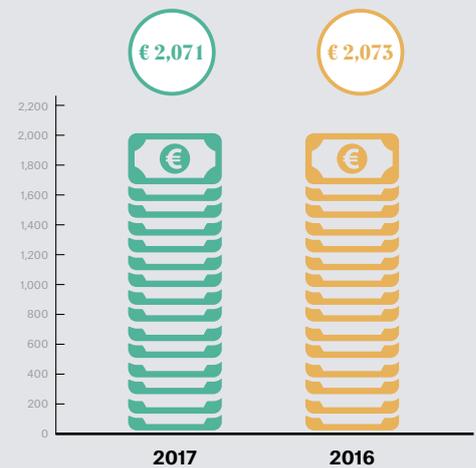
Employment rate



Minimum wage



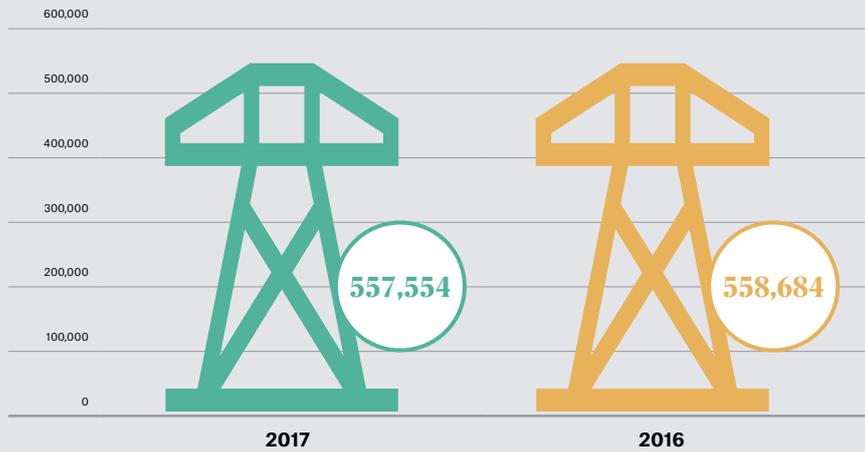
Average wage



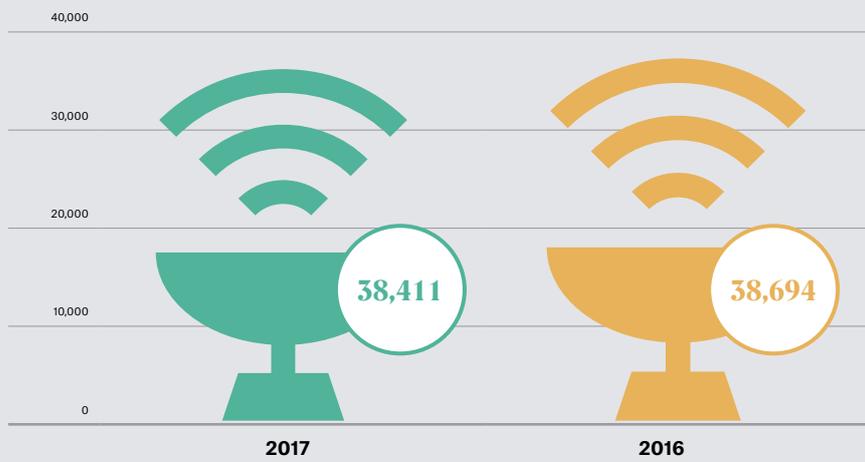


Relevant economic data

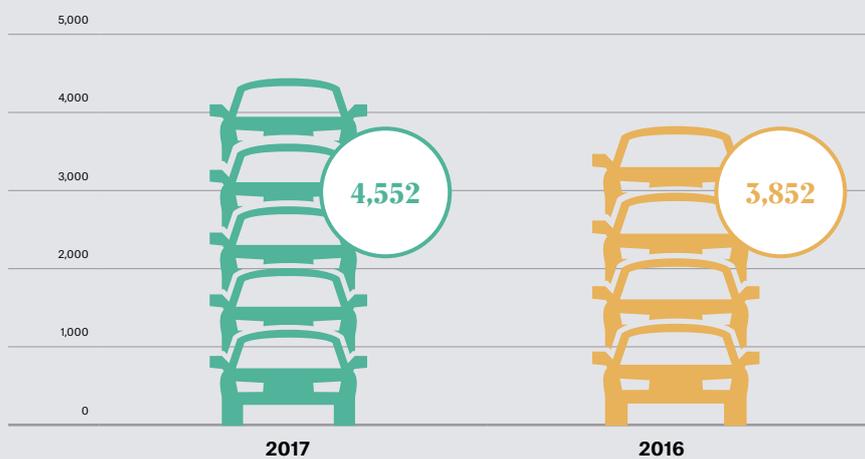
Energy consumption (MW/ hour)



Telecommunications (Line charges)



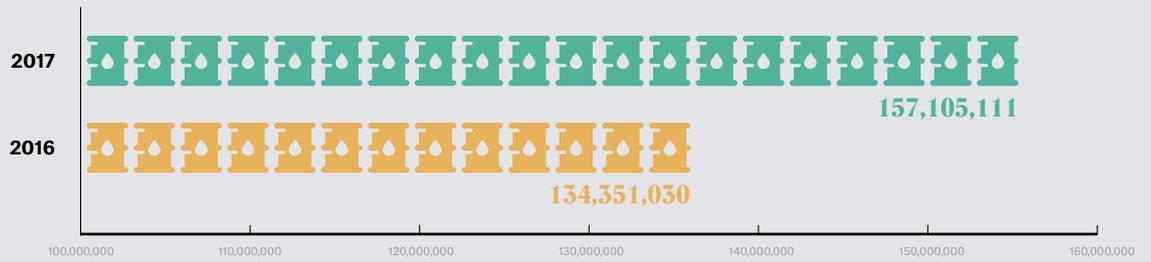
Car registrations



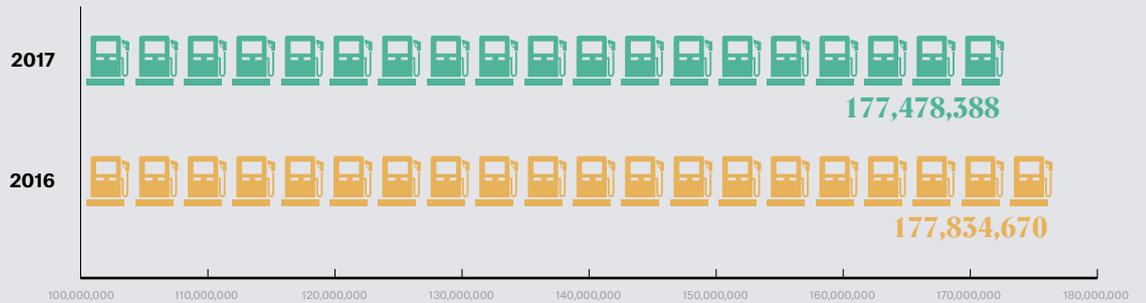
7 Key figures

Source: Department of Statistics of the Andorran Government.

Fuel imports (Euros)



Petrol imports (Litres)



Imports (Million €)



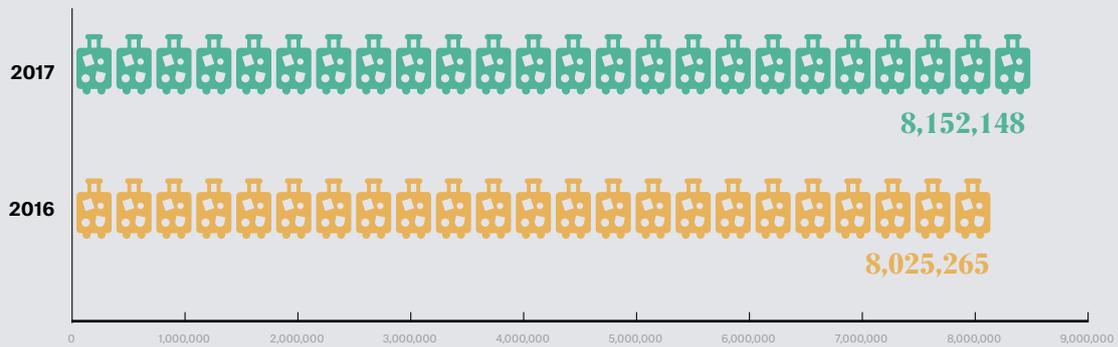
Exports (Million €)



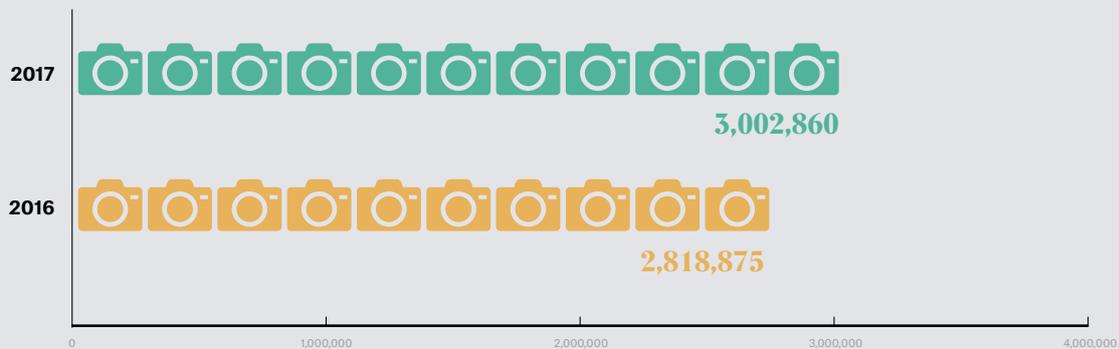


Relevant economic data

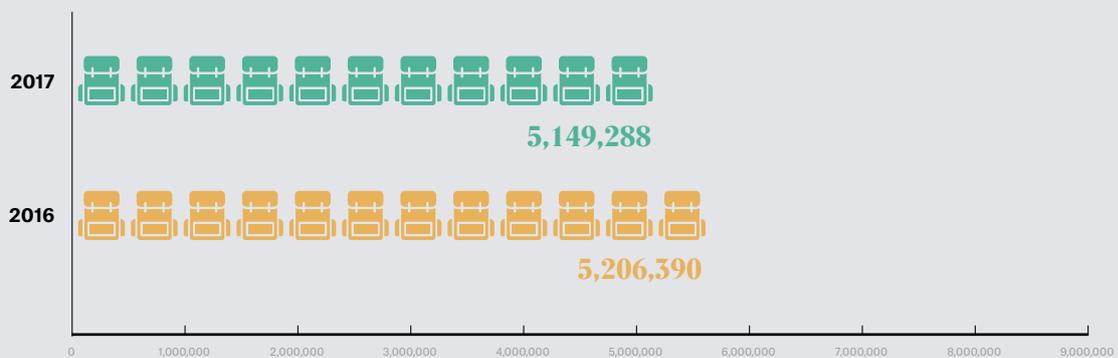
Number of visitors



Tourists



Hikers



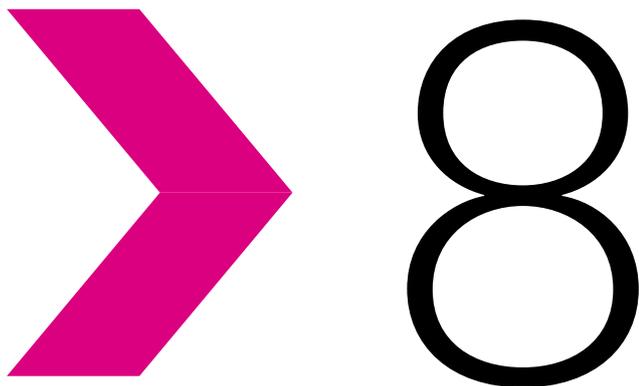
➤ 7 Key figures

Source: Department of Statistics of the Andorran Government.



Country rating

	2016	2017	2018
Standard & Poor's			
Long term	BBB-	BBB	BBB
Short term	A-3	A-2	A-2
Outlook	Stable	Stable	Stable
Fitch Ratings			
Long term	BBB	BBB	BBB
Short term	F3	F3	F3
Outlook	Stable	Positive	Positive



Information on relevant topics

8.1. Automatic exchange of information in tax matters

On 15 July 2014, the Council of the OECD approved the new global standard for the automatic exchange of information in tax matters (AEOI) between jurisdictions. The Common Reporting Standard (CRS) published in February 2015 lays down how the competent authorities of the countries that have signed up to the CRS automatically exchange information on financial accounts every year. The CRS aims to fight tax evasion and promote tax compliance.

On 16 June 2014, Andorra became the 48th country to sign the OECD Declaration on the automatic exchange of information in tax matters, thereby undertaking to implement the new standard and exchange information automatically every year with other jurisdictions.

One year later, on 3 December 2015, Andorra signed the multilateral competent authority agreement for the automatic exchange of information in tax matters (MCAA), a multilateral instrument that regulates the automatic exchange of information with the countries that have signed up to the OECD standard.

On 12 February 2016, Andorra and the European Union (EU) subsequently signed an agreement for the automatic exchange of tax information which came into effect on 1 January 2017 (the EU Agreement).

This agreement, which amends the previous agreement entered into between Andorra and the European Community in 2005 with regard to the implementation of measures equivalent to those provided for by Council Directive 2003/48/EC on taxation of savings income in the form of interest payments, introduces the new global

standard for the automatic exchange of information approved by the OECD and applied in the European Union through Directive 2014/107/EU.

Act 19/2016, approved by the General Council of Andorra on 30 November 2016, sets out the legal framework required to comply with this AEOI commitment.

Within the framework of the EU Agreement, pursuant to the calendars set in the international standard to get all the IT requirements in place, Andorra undertakes to collect banking data from 2017 onwards and to share that information in September 2018. The first automatic exchange of tax information will take place with 41 countries, including EU member states.

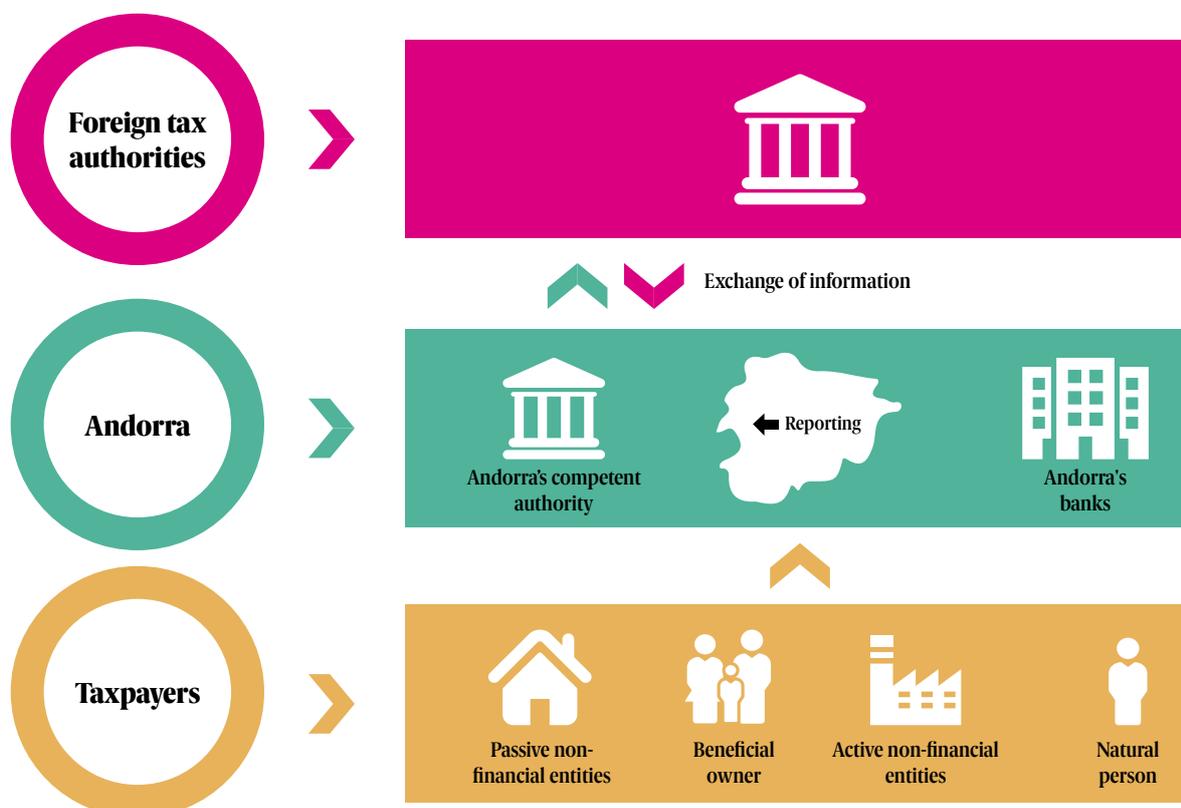
This means that the information relating to foreign taxpayers who hold an account in Andorra will be disclosed by Andorran banks and certain collective investment undertakings and insurance companies to the local authority. The local authority will then automatically disclose the information to the tax authority of the relevant country on an annual basis.

The data covered by the exchange obligation include the account number, tax identification number, name, address and date of birth of taxpayers residing abroad who hold an account in Andorra, all forms of income (including interest, dividends and income from insurance contracts), income derived from the sale or transfer of assets, and account balances. The standard applies both to individuals and legal entities (including trusts and foundations).

In accordance with relevant international standards, the beneficial owner of the account, the passive structures and the identity of the persons controlling them must be identified.

The Andorran Banking Association has closely monitored the process of adopting the AEOI through an ad-hoc working commission created in 2014. The commission has reviewed all the requirements set out in

the CRS in order to exchange the information within the prescribed deadlines and has prepared several Q&As as a guide to explain what the AEOI contains and how it works.



8.2. Prevention of money laundering and terrorist financing

On 24 November 2011, the General Council of Andorra approved the ratification of the Monetary Agreement between the Principality of Andorra and the European Union, which is accompanied by an annex that has been updated regularly and which sets out the EU legislative acts and regulatory provisions that Andorra has pledged to introduce into domestic law.

Under the Monetary Agreement, Andorra has been working to transpose Directive (EU) 2015/849 of the European Parliament and of the Council, of 20 May 2015, on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing ("4th Directive") and Regulation (EU) 2015/847 of the European Parliament and of the Council, of 20 May 2015, on information accompanying transfers of funds.

It should also be highlighted that Andorra is the subject of regular evaluations by the Committee of Experts on

the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (Moneyval) of the Council of Europe. As part of these evaluations it is essential to ensure adequate and effective implementation of relevant international standards, as materialised through the recommendations of the Financial Action Task Force ("FATF").

Both the transposition of the above-mentioned EU regulations and the implementation of FATF recommendations require a general review of regulations in relation to the prevention of and fight against money laundering and to adopt the new principles developed by the new regulations, including adequate risk management, which call for a new law inspired directly by the principles set out in the 4th Directive 2015/849 and the new FATF recommendations.

The new law that transposes the 4th Directive was approved by the General Council of Andorra on 22 June 2017.

8 Information on relevant topics

8.3. New tax offences

Creation of "article 248 bis" in the Andorran Criminal Code: tax offences

The new 2012 FATF recommendations provide for the inclusion of tax offences in the list of predicate offences for money laundering. In line with its commitment to adopting international standards and recommendations, Andorra has changed its legislation by amending the current Criminal Code and by introducing a tax offence by way of a bill amending the Criminal Code Act 9/2005 of 21 February.

Law 15/2017, which amends the Law 9/2005 of 21 February on the Criminal Code, was passed on 13 July 2017.

Andorran lawmakers make a distinction between basic and aggravated offences, considering only aggravated offences as predicate offences for money laundering and considering aggravating circumstances the defrauded amount (€150,000 or more) or the commission of an offence as part of a criminal organization.

8.4. 5th Moneyval evaluation

Moneyval is the committee of experts of the European Council that is responsible for evaluating the measures taken by jurisdictions against money laundering and the financing of terrorism.

The 5th evaluation of Andorra took place in 2017, based on the FATF recommendations revised in 2012 and their effective implementation. As part of the evaluation process, technical compliance with the recommendations is analysed prior to the evaluators' visit. During the visit, evaluators verify the effectiveness of the existing measures in the field of the prevention of money laundering and the financing of terrorism.

The evaluators visited Andorra in March 2017. Many actions have been taken to adapt to international standards in the field of money laundering and terrorism financing, including the development of a national risk assessment in accordance with FATF Recommendation No. 1.

The 5th Andorra evaluation report was published in November 14 by Moneyval. The report highlights and takes a very positive view of the profound legislative changes carried out in the Principality to prevent money laundering and terrorism financing, as well as the inclusion of tax offences in the list of predicate offences for money laundering.

The evaluators emphasise that these changes demonstrate a strong commitment to the prevention

of money laundering and terrorism financing not only on the part of the Government and the administrations but also on the part of the obliged subjects. They note, for example, the strong commitment of financial institutions.

The report also praises Andorra for proactively seeking out and providing legal assistance to other jurisdictions.

Finally, it urges the country to continue working on and supervising the implementation of the national action plan in order to mitigate risk and foster coordination between supervisory authorities.

8.5. Ethical code

On 13 January 2017, the General Assembly of the Andorran Banking Association agreed to update its Ethical Code, which dates back to 1990. The Ethical Code sets out a number of professional conduct recommendations that meet the new international standards. It is structured in line with the Andorran legal framework and with relevant international principles on this matter, and also complements anti-money laundering and terrorism financing legislation and the global recommendations issued by the FATF.

The purpose of the Ethical Code, which was prepared on a voluntary basis by all member institutions of the Association, is to set out the standards of honesty, integrity, professionalism and confidentiality that apply to Andorran financial institutions in their relationships with customers, third parties, supervisors and regulators within the scope of applicable legislation. The publication of the Code is yet another proof of the capacity of Andorran banks to adapt to a transparent, modern and standardised framework.

8.6. SEPA (Single Euro Payments Area)

The Single Euro Payments Area (SEPA) was created in 2007 to facilitate payments in euros across a supranational geographical area. It is an area in which citizens, businesses and other economic agents can make and receive payments in euros within Europe, inside and outside national borders, under the same conditions and with the same rights and obligations, regardless of where they are located.

SEPA is the European payment system based on common instruments, standards, procedures and infrastructure. In this harmonised scenario, no distinctions are made between domestic and international payments, all of which are processed with the same ease, speed, security and efficiency.

8 Information on relevant topics

Three basic banking instruments are included: transfers, direct debits and bank cards.

The European Commission laid the legal foundation through successive directives that were transposed by member states over time.

The Government is already in discussions with the European Payment Council (EPC), the decision-making and coordination body of the European banking industry, regarding payment systems which promotes membership in European payment systems, mainly SEPA.

At the same time, banks are preparing for the technical implementation of the schemes and applying for SEPA membership once Andorra is accepted as a member of the SEPA geographical area.

8.7. Insurance

It was years ago that the Principality of Andorra took a very decisive step aimed at achieving full standardisation of its financial system in order to facilitate its consolidation and development in the new European and international environment of the 21st century .

Within this context, the Principality of Andorra passed the Insurance and Reinsurance Act 12/2017 in June 2017 and in December it passed the regulation to complete the first part of the process of adaptation of Andorran law to the European Union's new insurance regime.

The points of reference for updating the legal framework included the opinions of the International Association of Insurance Inspectors and the new Solvency II regime established by the European Union and regulated by Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009, as well as the extensive developing regulations and the rules issued by the Retirement Insurance and Pensions Authority.

The new legal framework assumes the conditions and the background of the current Andorran model, with the peculiarities derived from the limited size of the sector, and introduces some essential changes to guarantee the transparency and solvency of the sector.

Another innovative aspect is that the regulation and supervision of the sector is entrusted to the Andorran National Institute of Finance (INAF). The INAF is being transformed by means of an amendment to Law 10/2013.

8.8. BEPS

BEPS (*Base Erosion and Profit Shifting*) is a term that describes the tax planning strategies used by multinational corporations to move their profits to countries with little or no taxation.

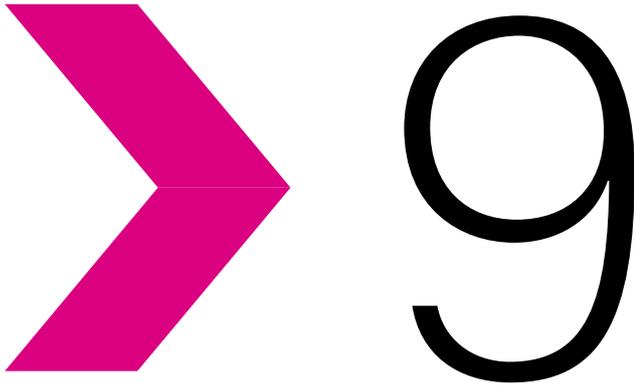
The OECD introduced the BEPS project in 2013, an initiative to combat these international tax evasion practices. This initiative is constantly updated through the work group created in 2015 to promote an inclusive framework for the implementation of the BEPS project measures developing international standards.

On 7 June 2017, Andorra signed the Multilateral Convention to implement Tax Treaty related measures to Prevent the Base Erosion and Profit Shifting ("MLI"), which transposes more than 2,000 tax treaties worldwide into an international regulation. The MLI offers governments specific solutions to fight against harmful tax practices, to prevent the abuse of the agreement and a country-by-country report, among other things.

The OECD is considering the advisability of maintaining certain types of fiscal regimes or modifying them in order to guarantee respect for the substantive requirement and transparency that are the defining elements of the BEPS Project.

Within the context of Andorra's commitment to adopt a set of minimum standards and to apply them consistently, the Corporate Income Tax Law was modified to avoid the use of certain tax regimes that may create a potential risk of erosion of corporate tax bases and provide options for the artificial relocation of profits. Law 6/2018 amending the Corporate Income Tax Law 95/2010 of 29 December was passed on 19 April 2018.





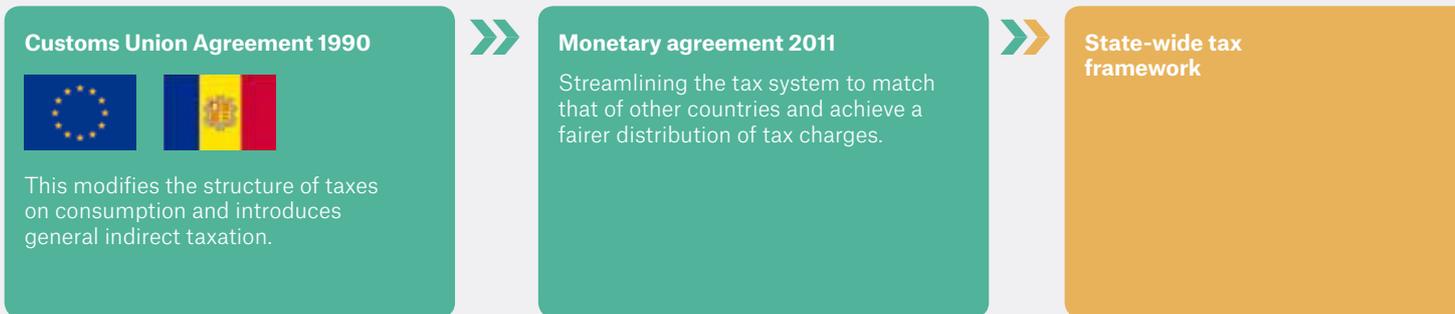
Legislation

9.1. Andorra's regulatory framework

Tax framework

■ International regulations, standards and recommendations ■ International Agreements ■ Andorran regulations ■ Bills debated in parliament

EU regulations, standards and recommendations issued by various International Organisations that have been considered in adapting Andorran regulations.





Revised text of the Tax Code Act number 21/2014 of 16 October dated 7 February 2018.

TAXES CURRENTLY IN FORCE

Taxes	
Corporation tax (IS)	General 10%
Personal Income Tax (IRPF)	General 10%
Non-resident Income Tax (IRNR)	General 10%
General Indirect Tax (IGI)	General 4.5%
Indirect tax on the provision of insurance services	General 4%
Tax on capital transfers (ITP)	3% communal 1% state

Taxes
Registration tax for business owners
Consumption tax (customs) General rate 0 - 3% (*)
Vehicle tax
Trade Mark Office tax
(*) Special tax rates, e.g. tax on alcohol and tobacco products.

Local tax system

Each municipality has its own regulations, subject to the taxation system in place

On 20 October 2017 a law **was passed on the taxation of business reorganisations** and the amendment of the corporate income tax law 95/2010 of 29 December; the personal income tax law 5/2014 of 24 April; the tax code law 21/2014 of 16 October; Law 20/2007 of 18 October on corporations and limited liability companies and Law 21/2006 of 14 December on the taxation of capital gains from real estate transactions.



The tax regime established in this law affects not only the direct taxation of corporate reorganisations, i.e., corporate tax, resident and non-resident personal income tax, but rather encompasses all forms of Andorran taxes that can be levied on these types of transactions.

9 Legislation

Tax framework

■ International regulations, standards and recommendations
 ■ International Agreements
 ■ Andorran regulations
 ■ Bills debated in parliament

EU regulations, standards and recommendations issued by various International Organisations that have been considered in adapting Andorran regulations.



2013
Signing of the convention on mutual assistance in tax matters with the OECD, 5 November 2013.

It is ratified on 28 July 2016.



2015
Signing of the Multilateral Competent Authority Agreement (MCAA).



2016
Agreement between Andorra and the European Union relating to the automatic exchange of information in tax matters.

12 February 2016.
Effective from 1 January 2017.



Act 19/2016, of 30 November, on the automatic exchange of information in tax matters.

Effective from 1 January 2017.
Law amended on 30 November 2017.

Tax information exchange agreements signed with 24 countries, including Spain, France and Portugal.

Double taxation agreements signed with 7 countries.

On the 25th of May 2018, Andorra and Cyprus signed a Double Taxation Agreement.

Andorra signs the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS.

7 June 2017.



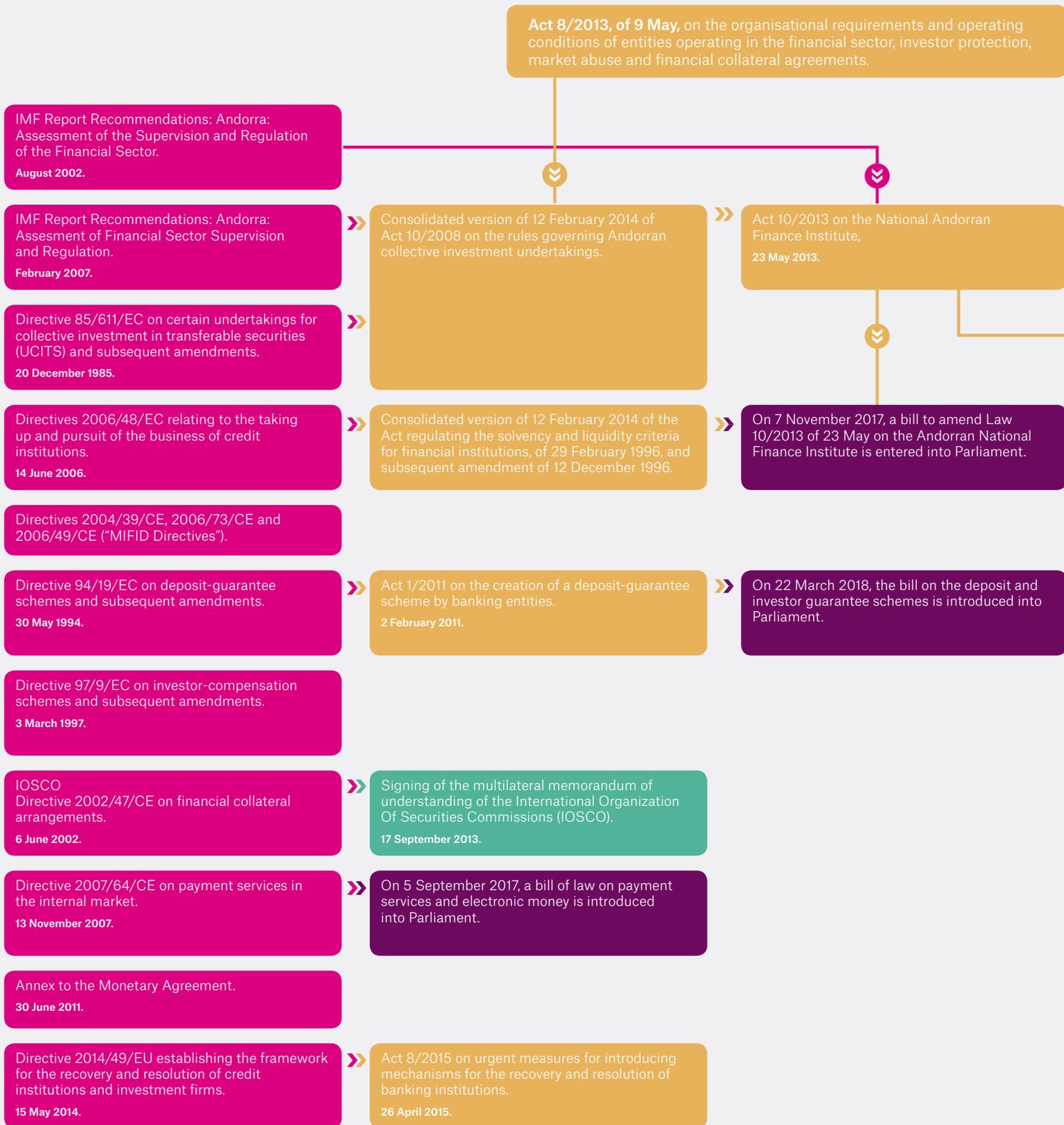
Law 6/2018 of 19 April is adopted which modifies the Corporate Income Tax Law 95/2010 in order to adapt the law to the anticipated provisions of the BEPS action plan. These include the revision of special tax regimes to preclude unfair tax competition and systems that allow the erosion of taxable bases and the artificial shifting of profits.

19 April 2018.

9 Legislation

Financial framework

■ International regulations, standards and recommendations
 ■ International Agreements
 ■ Andorran regulations
 ■ Bills debated in parliament



Act 7/2013, of 9 May, on the legal regime of entities operating in the Andorran financial sector and other provisions regulating the pursuit of financial activities in Andorra.



A decree approving new accounting plan based on IFRS-EU is approved on 22 December 2016.



Consolidated version of the Act setting out disciplinary rules for the financial system of 27 November 1997 approved on 19 February 2014.



Act of 30 June 1994 setting out the coefficient of mandatory investments, implemented by the Decree of 9 December 2009 approving the Decree amending the Decree regulating Act of 22 August 1994.



Law 12/2017 on the operation and supervision of insurance and reinsurance activities of the Principality of Andorra.
22 June 2017.



Consolidated version of Act 35/2010, of 3 June, setting out the rules for authorising the creation of new entities operating in the Andorran financial sector, 12 February 2014.

Tax framework

■ International regulations, standards and recommendations
 ■ International Agreements
 ■ Andorran regulations
 ■ Bills debated in parliament

**International
regulations,
standards and
recommendations**



- Convention on laundering, search, seizure and confiscation of the proceeds from crime, ratified on 8 November 1999.

- Criminal convention on corruption adopted in Strasbourg on 27 January 1999 and ratified on 18 October 2007.

- International convention for the suppression of counterfeiting currency adopted in Geneva on 20 April 1929 and ratified on 22 March 2007.

- Council of Europe Convention on the prevention of terrorism adopted in Warsaw on 16 May 2005 and ratified on 6 May 2008.

- International convention for the suppression of the financing of terrorism adopted in New York on 9 December 1999 and ratified on 12 June 2008.

- Moneyval's Evaluation Reports
1999-2002
2002-2003
2005-2008
2011-2015
September 2017: approval of the report on the 5th evaluation.

- Directive 2005/60/EC of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, 26 October 2005 (3th Directive).

- Directive 2015/849 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, 20 May 2015 (4th Directive).

- Directive 2006/70/EC of 1 August 2006 on the definition of politically exposed person and the technical criteria for simplified customer due diligence procedures, 1 August 2006.

- Regulation 1781/2006 of 15 November 2006 on information on the payer accompanying transfers of funds, 15 November 2006.

- Regulation amended by regulation 2015/847 of 20 May 2015.

- Recommendations of the Group of States Against Corruption (GRECO).

- Recommendations of the Financial Action Task Force (FATF).



STANDARDISATION



Andorran regulations

Consolidated version of 29 April 2015 of the Criminal Code Act 9/2005 of 21 February.

An amended version of the Criminal Code which includes tax crimes is approved on 13 July 2017.

Act 17/2014 amending the Criminal Procedure Code of 10 December 1998.

24 July 2014.

Andorra passes Law 14/2017 on the prevention and fight against money laundering and the financing of terrorism.

22 June 2017.

Law on international legal cooperation in criminal matters.

9 Legislation

9.2. Regulations debated in parliament



Law



Scope





Status



Approval timetable

NEW

Approved on 17 May 2018.

Second half of 2018.

NEW

Approved on 31 May 2018.

Second half of 2018.

Amendment period.

Second half of 2018.



Appendix

Information on the Andorran banking sector

Andorra's banking sector

The Andorran banking sector is made up of five banks with more than 85 years' experience in the banking business. The banks' main areas of business are private banking and asset management, insurance, and retail banking for individuals and companies.

The banking sector, which employs highly qualified personnel and enjoys a stable political and social environment in a country with more than 700 years of history, tradition and dynamism, is regulated and supervised by the National Andorran Financial Institute (INAF). In addition, the Financial Intelligence Unit (UIFAND), created in 2000, is an independent body whose mission is to promote and coordinate the measures in place to prevent money laundering and the financing of terrorism.

ANDORRA'S BANKING SECTOR IS ONE OF THE MAIN DRIVERS OF THE ANDORRAN ECONOMY

The professionalism of the Andorran banking system in terms of the supervision and strict verification of the origin and destination of funds is endorsed by expert organisations such as the International Monetary Fund (IMF) and the Council of Europe. Andorran legislation does not permit opaque structures, such as trusts, or private foundations of special interest to promote offshore investment structures that prevent beneficial owners from being identified. Andorran banking institutions operate in global markets and apply both international standards and best practices.

The Andorran financial system has faced continued regulatory changes, including the implementation of tax transparency rules, measures to promote international cooperation in criminal matters and fight money

laundering, and the legislation laid down in the Monetary Agreement in banking regulation matters.

THE FINANCIAL SECTOR AND THE INSURANCE INDUSTRY ACCOUNT FOR APPROXIMATELY 21% OF GDP

First-time application of IFRS

The consolidated financial statements for the financial year ended 31 December 2017 are the first ones prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (IFRS-EU), which have now been adopted by Andorra (IFRS Andorra). The new standards introduce significant changes compared to the ones used to prepare the 2016 consolidated financial statements (according to the Andorran accounting plan approved by the Government of Andorra on 10 January 2000) vis-a-vis the accounting and valuation standard and the methods for presenting the information that is part of the consolidated financial statements.

THE BANKING SECTOR ENJOYS EXCELLENT SOLVENCY AND LIQUIDITY RATIOS

In this regard, along with the consolidated annual accounts of the five banks that make up the Andorran banking system for the 2017 financial year, the previous year's accounts, which have been reformulated by applying the current IFRS at 31 December 2016, are presented for comparative purposes. Consequently, the information for the 2016 financial year presented in this annual report for the year 2017 differs from that contained in the published annual report for 2016.

 Appendix

Despite the changes in the economic situation, the fact that assets under management were up by 1.5% is a sign of the strength and stability of the Andorran financial centre and the sector's capacity to adapt to the new challenges it faces. The financial margin of Andorran banks stands at 107,200 thousand euros and the ordinary margin totals 468,044 thousand euros. The international context of prolonged low interest rates has affected profits, which stood at €131 million, as did the increase in the cost of adapting to the new regulatory framework for the European banking sector. These results are in line with the banks' own forecasts.

As far as return on equity is concerned, Andorran banks ended 2017 with a ROE of 9.85%, which is higher than the European average at 6.1% and ahead of countries such as Spain (7.0%), Switzerland (4.0%) or Germany (1.7%), according to data published by the *European Banking Authority*.

The Andorran financial system has confirmed its resilience throughout 2017 and showed continued signs of solvency in an international context marked by negative interest rates. It has continued to align its services and processes with international standards in order to compete under equal conditions with the rest of the world's financial centres. The sector has managed to maintain and consolidate its principal economic indicators in this complex environment. These indicators denote the healthy evolution of the Andorran financial system. The consolidation of the internal market as indicated by the S&P rating agency in its latest report and the positive performance of the Andorran banking sector's internationalization process translate into the diversification and growth of its business.

Appendix

MAIN CHARACTERISTICS OF THE ANDORRAN BANKING SECTOR

Local international banking

The evolution of the banking sector was driven by the provision of value added services and strong internationalisation, with sustainable and profitable growth.

Providing added value banking services: The business model of Andorran banks is based on providing the best private banking and asset management services to customers and stimulating dynamism in the real economy through commercial banking services aimed at both individuals and businesses.

Strong internationalisation: The ambitious growth and diversification strategy of Andorran banks hinges on a universal banking model with a sharp focus on services and strong internationalisation. The Andorran banking sector is present in Europe, the United States, South America and the Middle East.

Sustainable and profitable growth: The assets managed by Andorran banks have grown significantly in recent years, rising by approximately 60% between 2007 and 2017 with an accelerated increase from 2011. Despite this rapid growth, Andorran banks have maintained healthy liquidity and solvency ratios, which have been a historical characteristic of Andorra's financial system.



The banking sector has benefited from the provision of **added value services and strong internationalisation, delivering sustainable and profitable growth.**



As at 31 December 2017, the Andorran banking sector was comprised of 5 banking groups. **Together, they manage more than 46 billion euros.**



Andorran banks **comply with strict international regulatory standards, resulting in the creation of a robust banking system.**



 Appendix

CONSOLIDATED AGGREGATE BALANCE SHEETS OF ANDORRAN BANKS

Assets	2017	% / total	2016	% / total	Var. (%) 17-16
Cash, cash at central banks and other sight deposits	1,907,004	13.48%	2,181,016	14.42%	(12.56%)
Financial assets held for trading	570,317	4.03%	738,761	4.88%	(22.80%)
Financial assets at fair value with changes in the income statement	613,169	4.33%	776,504	5.13%	(21.03%)
Financial assets available for sale	1,042,312	7.37%	1,156,670	7.65%	(9.89%)
Loans and receivables	6,569,179	46.44%	6,772,400	44.76%	(3.00%)
Investments held to maturity	2,115,875	14.96%	2,207,689	14.59%	(4.16%)
Derivatives - compatibility with hedges	2,084	0.01%	1,101	0.01%	89.28%
Changes in fair value of the items in a portfolio with interest rate hedge	29,807	0.21%	38,905	0.26%	(23.39%)
Investments in jointly-controlled business and associates	33,569	0.24%	26,842	0.18%	25.06%
Assets covered under insurance and reinsurance contracts	38,721	0.27%	40,727	0.27%	(4.93%)
Property, plant and equipment	329,220	2.33%	330,505	2.18%	(0.39%)
Intangible assets	391,495	2.77%	358,049	2.37%	9.34%
Tax assets	64,704	0.46%	58,642	0.39%	10.34%
Other assets	173,924	1.23%	263,119	1.73%	(33.90%)
Non-current assets and groups of disposable assets held for sale	264,002	1.87%	177,985	1.18%	48.33%
TOTAL ASSETS	14,145,382	100.00%	15,128,915	100.00%	(6.50%)
Liabilities	2017	% / total	2016	% / total	Var. (%) 17-16
Financial liabilities held for trading	79,027	0.56%	53,878	0.36%	46.68%
Financial assets at fair value with changes in the income statement	568,770	4.02%	619,912	4.10%	(8.25%)
Financial liabilities at amortised cost	11,322,829	80.05%	12,244,961	80.94%	(7.53%)
Hedging derivatives	49,579	0.35%	58,382	0.39%	(15.08%)
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	779	0.01%	-	-	N/A
Liabilities covered under insurance and reinsurance contracts	340,381	2.41%	377,528	2.50%	(9.84%)
Provisions	132,217	0.93%	334,247	2.21%	(60.44%)
Tax liabilities	36,970	0.26%	35,530	0.23%	4.05%
Other liabilities	176,966	1.25%	261,965	1.72%	(32.45%)
Liabilities in groups of disposable items held for sale	86,675	0.61%	-	-	-
TOTAL LIABILITIES	12,794,193	90.45%	13,986,403	92.45%	(8.52%)
Net Equity	2017	% / total	2016	% / total	Var. (%) 17-16
Capital	244,780	1.73%	251,318	1.66%	(2.60%)
Issue premium	73,441	0.52%	73,441	0.49%	-
Issued equity Instruments other than capital	-	-	-	-	-
Gross earnings	537,135	3.80%	489,416	3.23%	9.75%
Revaluation reserves	4,230	0.03%	4,230	0.03%	-
Other reserves	359,991	2.54%	193,214	1.28%	86.32%
Treasury stock (-)	(1,605)	(0.01%)	(1,605)	(0.01%)	-
Result attributed to majority shareholder	131,256	0.93%	125,997	0.83%	4.17%
Interim dividend (-)	(12,925)	(0.09%)	(21,700)	(0.14%)	(40.44%)
Minority interests	(4)	-	(4)	-	-
Shareholders' equity	1,336,299	9.45%	1,114,307	7.37%	19.92%
Other cumulative results	5,534	0.04%	17,218	0.11%	(67.86%)
Minority interests	9,356	0.06%	10,987	0.07%	(14.84%)
TOTAL NET EQUITY	1,351,189	9.55%	1,142,512	7.55%	18.26%
TOTAL LIABILITIES AND NET EQUITY	14,145,382	100.00%	15,128,915	100.00%	(6.50%)

Figures expressed according to IFRS in force at 31 December 2016.

Appendix

AGGREGATE ASSETS

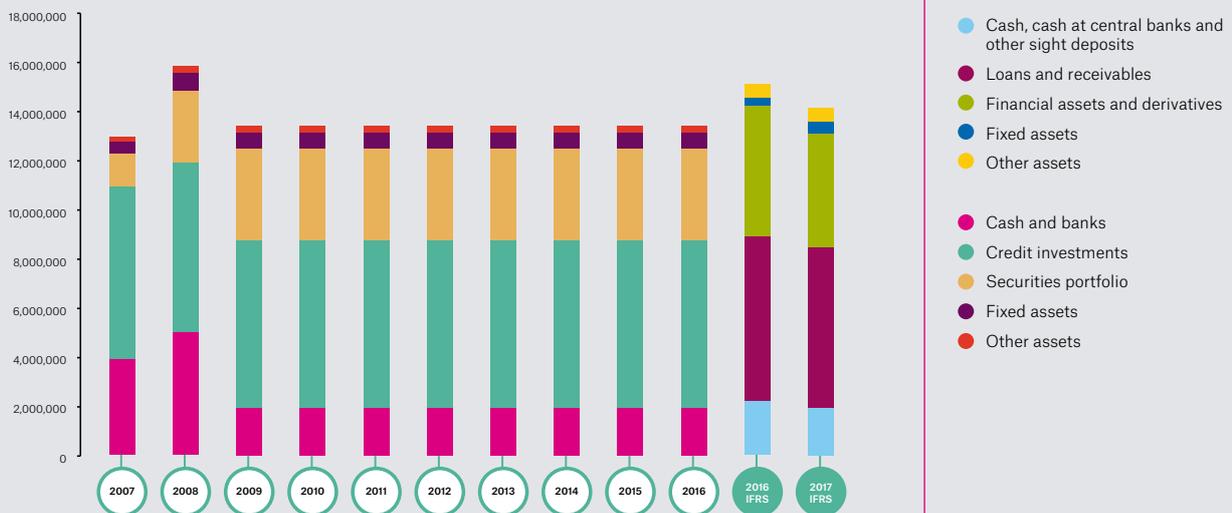
The two main components of Andorran banks' aggregate assets are "Loans and Receivables" which account for 46.44% of total assets, including credit investment, and "Financial Assets and Derivatives" which account for 33.25% of total assets. The third component is "Cash, Cash at Central Banks and Other Sight Deposits" which accounts for 13.48% of total assets and includes

"Cash and central banks, OECD, INAF and Financial Intermediaries".

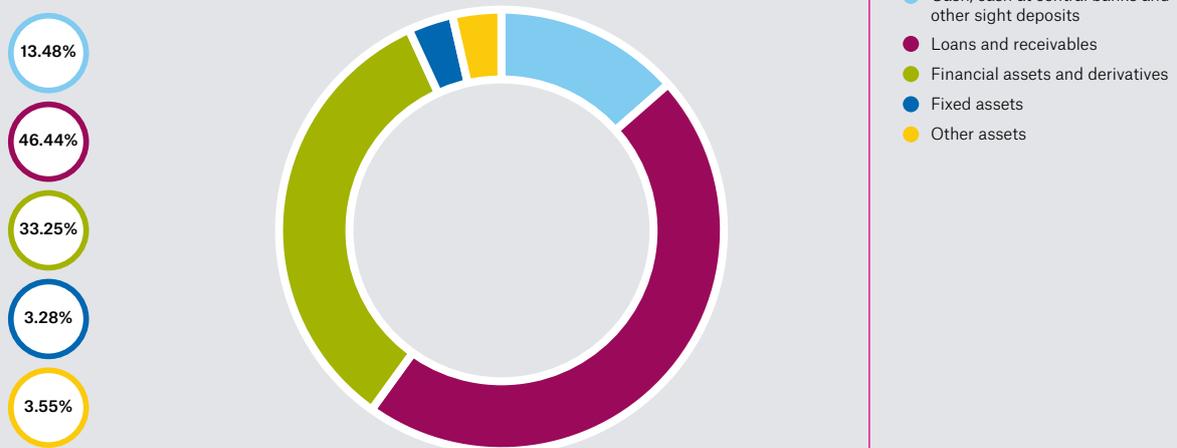
The structure of Andorran banks' balance sheets reflects the type of business pursued, mainly private banking and asset management services. Retail banking activities are carried out in Andorra only.

Changes in aggregate assets 2007-2017

Thousand euros



Composition of aggregate assets 2017

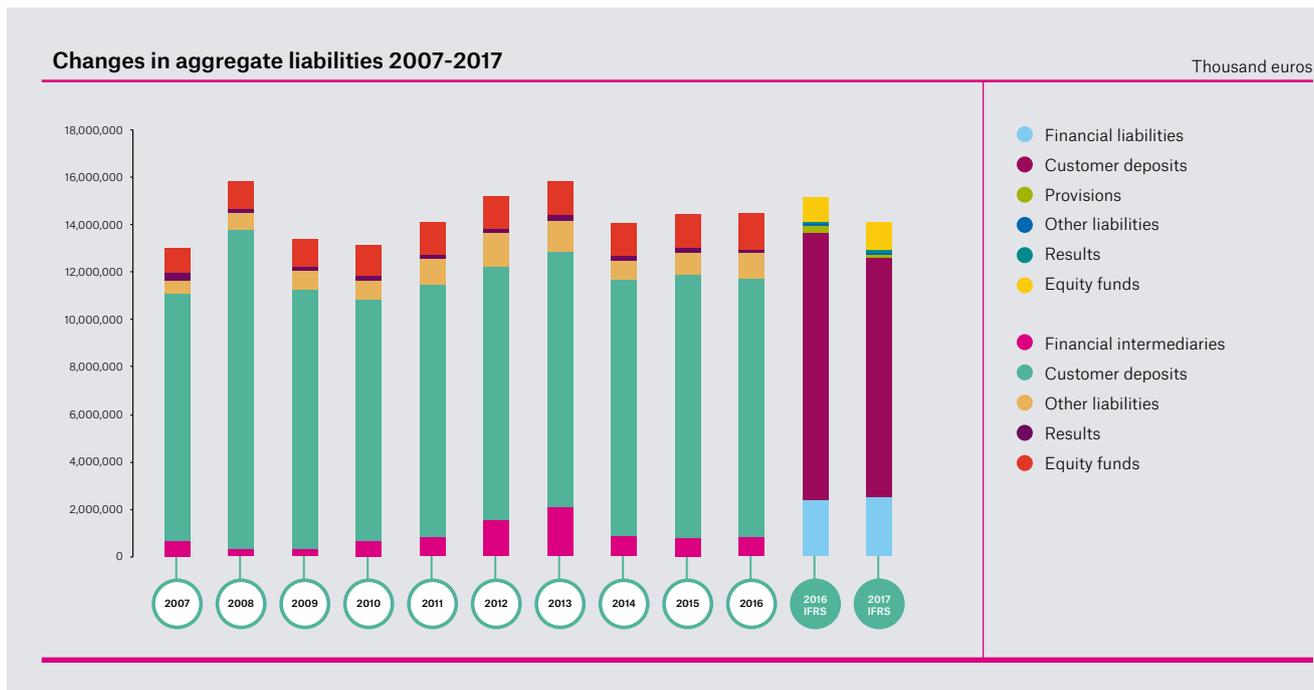


Appendix

AGGREGATE LIABILITIES

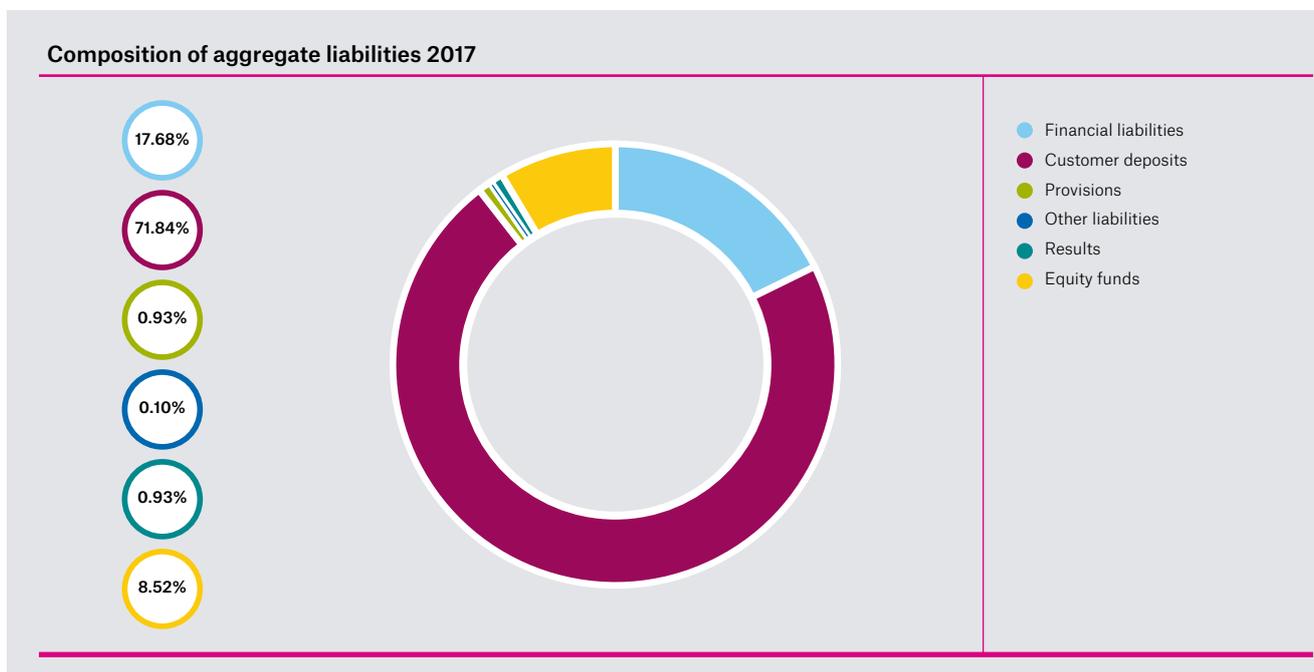
After the global economic crisis that broke out in 2008, the balance sheets of Andorran banks started to increase again in 2010. The decline in balance sheets in 2014 was due to the intervention and subsequent winding up of BPA, SA in 2015, as no financial statements were available for this entity at the end of 2014.

Customer deposits were directly affected both by changes in interest rates, and hence in global capital markets, and by the expansive policy pursued by banks without detracting from organic growth.



The composition of Andorran banks' aggregate liabilities at the end of 2017 was marked by the significant relative weight of "Customer deposits" in the financing structure of the Andorran banking system, accounting for 71.84% of aggregate liabilities. "Equity" accounts for

8.52% and "Results" for 0.93%, whilst the remaining liabilities are made up mainly of "Financial Liabilities" at 17.68% and "Provisions and Other Liabilities" at 1.03%.



Appendix

GROSS CREDIT INVESTMENT

The performance of gross credit investment was marked primarily by the effects of the economic slowdown and by a more cautious approach in the granting of bank loans.

Despite this, Andorran banks show signs of economic growth due to increasing demand for credit investment.

Changes in aggregate gross credit investment 2007-2017

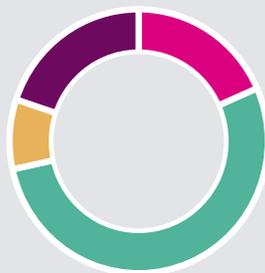
Thousand euros



"Loans and receivables" account for 46.44% of aggregate assets and are basically made up of loans and lines of credit extended to customers. The total credit investment granted with real collateral stands at 80.13%. Of these, 18.44% are securities collateral, 53.14% are

mortgage guarantees and 8.55% are cash collateral. The credit situation is "Normal" and "Overdue" in 75.87% and 16.30% of cases, respectively, and "Doubtful" in 7.83%. The rate of arrears as at 31 December 2017 was 4.83%, excluding Vall Banc

Credit investment collateral 2017

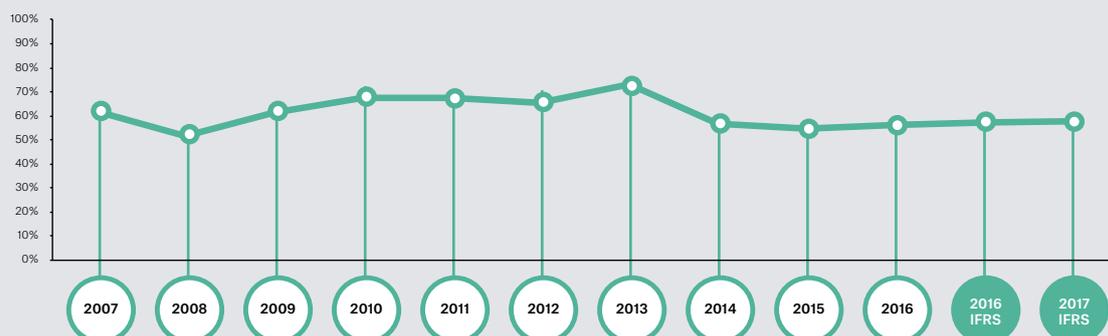


- Securities collateral
- Mortgage collateral
- Cash collateral
- No real collateral (personal or other)

Gross credit investment ratio to customer liabilities

The aggregate gross credit investment ratio to customer liabilities remains above 50%, a distinguishing feature of private banking.

Changes in gross credit investment ratio to aggregate customer liabilities 2007-2017



Appendix

AGGREGATE ASSETS UNDER MANAGEMENT

The total assets managed by Andorran banks are made up of customer deposits (on-balance-sheet) and intermediation services for custodied and non-custodied customers (off-balance-sheet). As at 31 December 2017, assets under management totalled 46.13 billion euros,

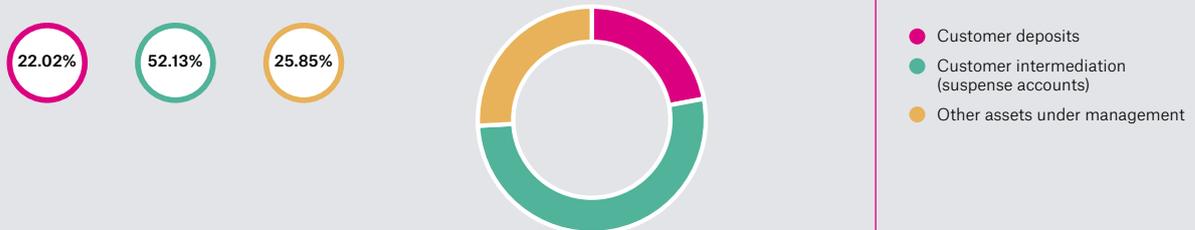
1.55% more than in 2016. Customer intermediation (equities, investment funds, bonds, etc.) was 5.35%, i.e. 78.86% of assets under management, whilst customer deposits fell by 10.49%

Changes in aggregate assets under management 2007-2017

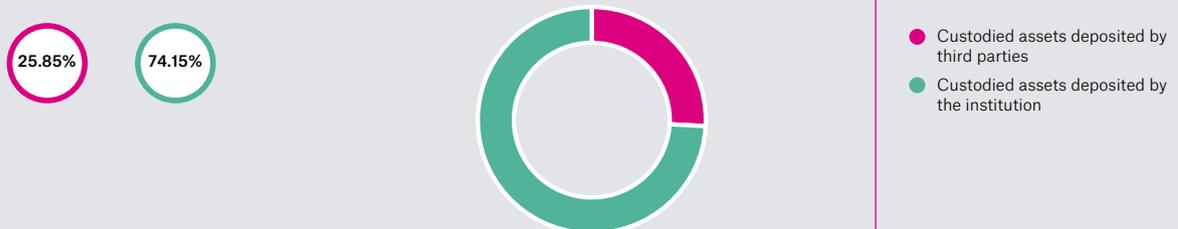
Thousand euros



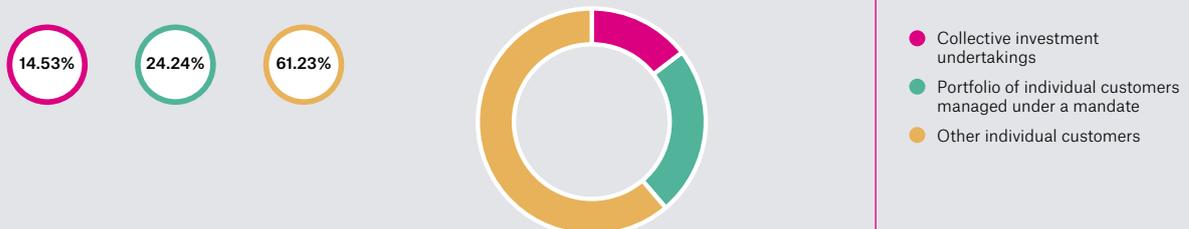
On- and off-balance-sheet assets under management 2017



Assets under management deposited by the institution or by third parties 2017



Assets under management by customer type 2017



 Appendix

CONSOLIDATED AGGREGATE PROFIT AND LOSS ACCOUNTS OF ANDORRAN BANKS

(Thousand euros)	2017	2016	Var. (%) 17-16
Interest income	170,350	207,174	(17.77%)
Interest expenses	(67,383)	(85,575)	(21.26%)
Dividend income	4,233	3,068	37.97%
Interest income	107,200	124,667	(14.01%)
Commissions earned	448,722	458,898	(2.22%)
Commission paid	(87,878)	(85,425)	2.87%
Base margin	468,044	498,140	(6.04%)
Yields on capital instruments	-	-	-
Results of enterprises carried using the equity method	3,299	3,332	(0.99%)
Results from financial operations	78,868	162,282	(51.40%)
Results on assets and liabilities covered under insurance and reinsurance contracts	6,625	1,750	N/A
Other operating income	26,349	411,195	(93.59%)
Other operating expenses	(18,051)	(407,086)	(95.57%)
Gross margin	565,134	669,613	(15.60%)
Administrative expenses	(384,593)	(392,112)	(1.92%)
Staff costs	(226,537)	(229,341)	(1.22%)
Other general administrative expenses	(158,056)	(162,771)	(2.90%)
Amortisation	(38,006)	(38,801)	(2.05%)
Provisions funded (net)	(11,416)	(21,907)	(47.89%)
Net impairment of financial assets not recognised at fair value with changes in profit and loss	9,096	(50,155)	N/A
Profit/(loss) form ordinary activities	140,215	166,638	(15.86%)
Net impairment of investments in jointly-controlled companies or associates	(1,056)	(438)	N/A
Net impairment of non-financial assets	15	7,176	(99.79%)
Profit (loss) from non-current assets	2,623	(41,761)	N/A
Pre-tax profits (loss)	141,797	131,615	7.74%
Corporation tax	(12,062)	(5,712)	N/A
Results for the year from continuing operations	129,735	125,903	3.04%
Results for the year from discontinued operations (net)	1,532	-	-
Results for the year	131,267	125,903	4.26%
Attributed to majority shareholder	131,256	125,997	4.17%
Attributed to minority shareholders	719	814	(11.67%)

Figures expressed according to IFRS in force at 31 December 2016.

As far as results are concerned, Andorran banks closed the year with an allocated net profit of 131 million euros, i.e. a 15.82% decline. These results are due to negative interest rates which push the financial margin down and to the increasing costs of adapting to the new regulatory framework in the European banking sector. Andorran

banks closed the year with a ROE (the return earned by shareholders on the funds invested in the company) of 9.85%, which is above European banks' average ROE of 6.1% according to the EBA (*European Banking Association*).

➤ Appendix

The aggregate result for the sector amounts to



Andorran banks ended the year 2017 with a



above the European banks' average of 6.1% according to data from the EBA (*European Banking Association*)

EVOLUTION OF THE ANDORRAN BANKING SECTOR'S INCOME STATEMENT

Changes in aggregate gross margin and composition 2007-2017

Thousand euros



Appendix

Changes in the composition of transformation expenses and efficiency ratio 2007-2017

Thousand euros



Changes in aggregate profit or loss 2007-2017

Thousand euros



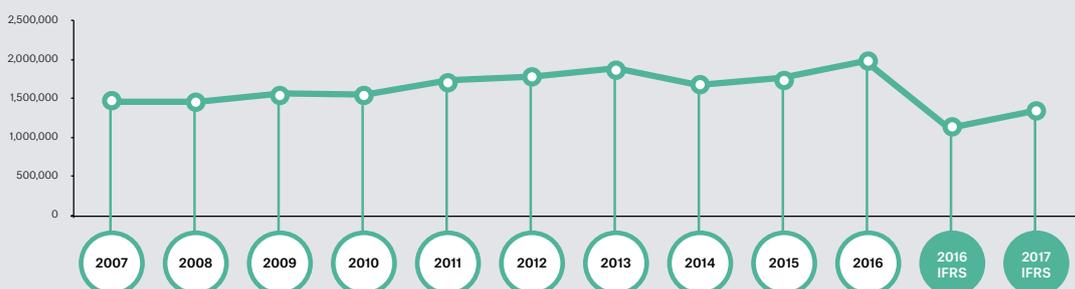
Changes in aggregate result 2007-2017

Thousand euros



Changes in aggregate equity funds 2007-2017

Thousand euros



Appendix

SOLVENCY AND LIQUIDITY

On 29 February 1996, the General Council approved the law regulating the solvency and liquidity criteria for financial institutions, of which a consolidated version was published on 12 February 2014. This law aims to ensure that the structure of the Andorran financial system remains solid. It was enacted following a recommendation of the Basel Committee (*Basel Committee on Banking Regulations and Supervisory Practices*).

In order to ensure that the financial system maintains a sound international reputation for solvency, Andorra has established solvency and liquidity ratios which are a lot more demanding than those used in most countries and has introduced minimum ratios of 10% and 40%, respectively. These ratios largely exceed the minimum

coefficients laid down by law, which shows that Andorran banks follow a conservative and prudent approach.

As at 31 December, the solvency ratio of Andorra's 5 banks stood at 21.74%. The three and a half point difference with respect to last year is explained by the impact of the first-time application of the International Financial Reporting Standards (IFRS), an essential tool for the transparency and comparability of financial statements. However, this figure is double the amount required by Andorran bank rules which set the minimum rate at 10%.

The aggregate liquidity ratio achieved by Andorran Banking member institutions in 2017 was 65.37%. This figure is well above the liquidity ratio set down by Andorra's banking regulations.

At the end of 2017, the solvency ratio of Andorra's 5 banks stood at



Which is more than last year's ratio and twice the ratio required by Andorran regulations

The liquidity ratio achieved by Andorran banks in 2017 was



which is more than the ratio imposed by Andorran regulations

	Solvency		Liquidity	
	2016 (*)	2017	2016 (*)	2017
ANDBANK	25.50%	24.57%	65.58%	75.80%
GRUP MORABANC	32.41%	26.98%	62.81%	60.68%
GRUP CRÈDIT ANDORRÀ	21.72%	16.15%	59.03%	61.02%
BANCSABADELL D'ANDORRA	21.99%	23.71%	49.02%	59.05%
VALL BANC	31.19%	30.55%	54.46%	55.85%
AGGREGATE RATIO	25.10%	21.74%	61.41%	65.37%

(*) The figures for 2016 are those published in the 2016 report and, therefore, are not restated according to IFRS.

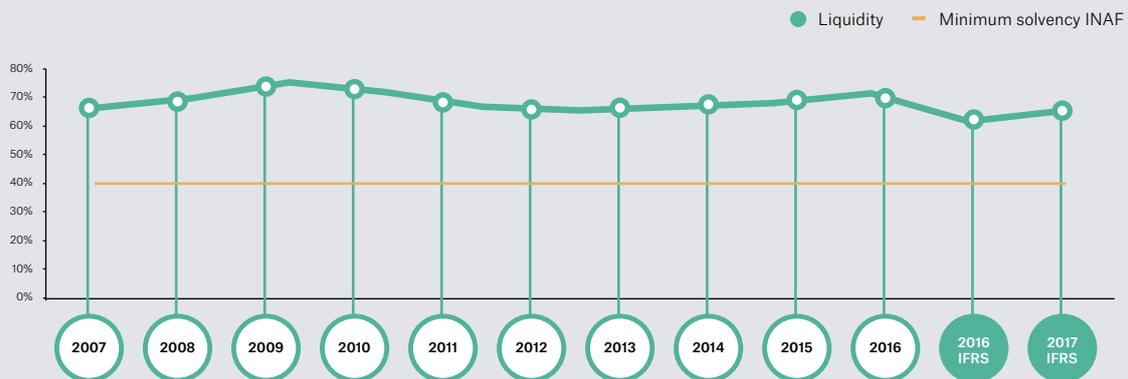
Appendix

Changes in solvency ratio and adjusted equity funds 2007-2017

Thousand euros



Changes in aggregate liquidity ratio 2007-2017



Additionally, on 2 February 2011, the General Council of Andorra approved Act 1/2011 on the creation of a deposit-guarantee system for banking institutions (amended by the new Act 8/2015 on urgent measures for implementing mechanisms for the recovery and resolution of banking institutions) so as to guarantee the repayment of funds in cash and securities deposited vis-a-vis depositors. In order to ensure that the guarantee system can perform its obligations under the law, all banking institutions authorised to operate in Andorra are required to create and maintain an unavailable reserve which is allocated to the execution of covered guarantees, and to invest an amount equivalent to that reserve in liquid and safe assets that meet a series of special requirements laid down by law.

Act 8/2015 on urgent measures for introducing mechanisms for the recovery and resolution of banking institutions

aims to guarantee the repayment of funds in cash and securities to depositors

Appendix

AVERAGE RETURN ON EQUITY (ROE)

	2016 (*)	2017
ANDBANK	9.23%	7.66%
GRUP MORABANC	7.12%	8.40%
GRUP CRÈDIT ANDORRÀ	10.15%	12.54%
BANCSABADELL D'ANDORRA	10.72%	12.49%
VALL BANC	26.33%	13.75%
AGGREGATE RATIO	9.73%	9.85%

The average return on equity (ROE) for 2017 was



(*) The figures for 2016 are those published in the 2016 report and, therefore, are not restated according to IFRS.

AVERAGE RETURN ON ASSETS (ROA)

	2016 (*)	2017
ANDBANK	0.94%	0.84%
GRUP MORABANC	0.96%	0.88%
GRUP CRÈDIT ANDORRÀ	1.09%	0.86%
BANCSABADELL D'ANDORRA	1.22%	1.31%
VALL BANC	1.18%	0.88%
AGGREGATE RATIO	1.03%	0.88%

The average return on assets (ROA) for 2017 was



(*) The figures for 2016 are those published in the 2016 report and, therefore, are not restated according to IFRS.

RATINGS

Another indicator of banks' solvency are the ratings published by specialist agencies such as Fitch Ratings,

Moody's or Standard & Poor's.

	Ratings		Agency
	Long term	Short term	
ANDBANK	BBB	F3	Fitch Ratings
GRUP MORABANC	BBB-	F3	Fitch Ratings
GRUP CRÈDIT ANDORRÀ	BBB	F3	Fitch Ratings
BANCSABADELL D'ANDORRA (*)	-	-	-
VALL BANC	-	-	-

* 51% owned by Banc de Sabadell.
Source: Fitch Ratings reports as at May 2018.

As far as Andorra's sovereign rating is concerned, Standard & Poor's latest review on 19 January 2018 affirmed its short and long-term rating to BBB/A-2 with a stable outlook. The rating agencies took a positive view of the Government's reform agenda, the country's strong economy, the good fiscal results and the convergence between international standards and the positive image of Andorra as seen from the outside.

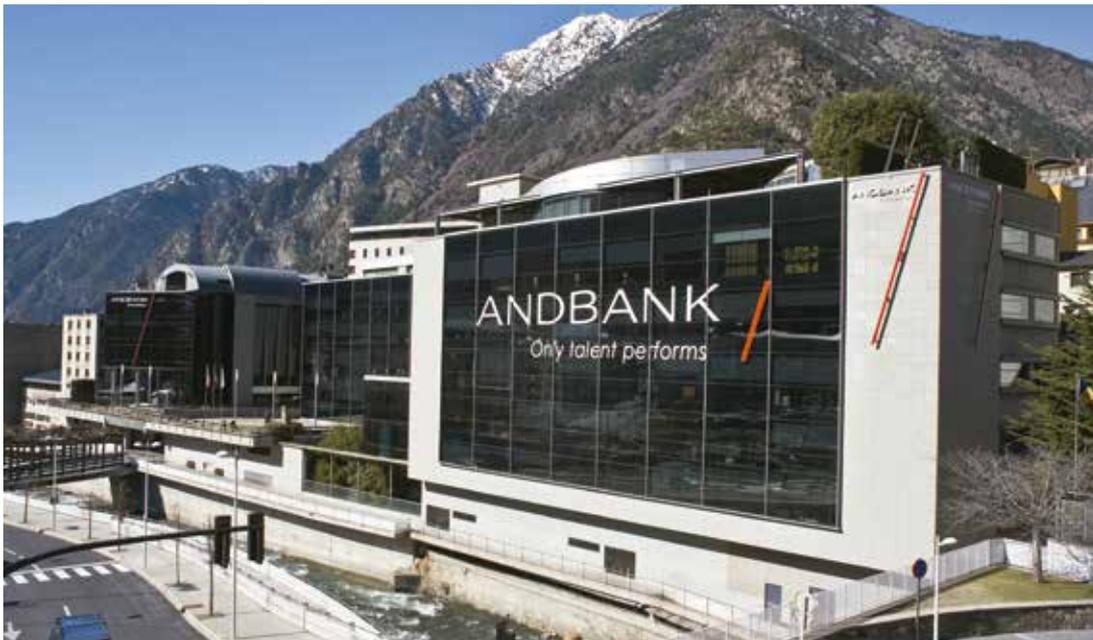
Additionally, on 11 September 2015 Fitch rated Andorra for the first time, giving it a sovereign rating of BBB with stable outlook. The latest rating was published on 17 February 2018 and stood at BBB with a positive outlook thanks to the decline in public debt, more diversified public financing and the country's dynamic growth.



Appendix

Information on the Andorran banking sector
Andorran banking groups

ANDBANK /
Private Bankers



ANDORRA BANC AGRÍCOL REIG, SA

📍 Ed. Centre de Negoci
C/ Manuel Cerqueda i Escaler, 4-6
AD700 Escaldes-Engordany (Principat d'Andorra)

☎ +376 873333

@ info@andbank.com

www.andbank.com

Honorary president	Mr Òscar Ribas Reig
Chairman	Mr Manel Cerqueda Donadeu
Vice-Chairman	Mr Oriol Ribas Duró
General Manager	Mr Ricard Tubau Roca
Deputy Head of Investments	Mr Santiago Mora Torres
Deputy Head of Central Services	Mr Antonio Castro Jiménez
Deputy Head of Risk and Finance	Mr Josep X. Casanovas Arasa

Consolidated balance sheets as at 31 December 2016 and 2017

(Thousand euros)

Assets	2017	% / total	2016	% / total	Var. (%) 17-16
Cash, cash at central banks and other sight deposits	1,447,004	32.71%	1,595,411	31.99%	(9.30%)
Financial assets held for trading	339,490	7.68%	426,335	8.55%	(20.37%)
Financial assets at fair value with changes in the income statement	-	-	-	-	-
Financial assets available for sale	230,468	5.21%	318,075	6.38%	(27.54%)
Loans and receivables	1,664,601	37.63%	1,703,068	34.15%	(2.26%)
Investments held to maturity	291,569	6.59%	449,128	9.01%	(35.08%)
Derivatives - compatibility with hedges	90	-	-	-	-
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	4,184	0.09%	4,546	0.09%	(7.96%)
Investments in jointly-controlled businesses and associates	2,000	0.05%	-	-	-
Assets covered under insurance and reinsurance contracts	-	-	-	-	-
Property, plant and equipment	34,788	0.79%	25,405	0.51%	36.93%
Intangible assets	251,284	5.68%	229,838	4.61%	9.33%
Tax assets	31,600	0.71%	17,735	0.35%	78.18%
Other assets	79,197	1.79%	174,925	3.50%	(54.73%)
Disposable non-current assets held for sale	46,965	1.07%	42,820	0.86%	9.68%
TOTAL ASSETS	4,423,240	100.00%	4,987,286	100.00%	(11.31%)

Consolidated balance sheets as at 31 December 2016 and 2017

(Thousand euros)

Liabilities	2017	% / total	2016	% / total	Var. (%) 17-16
Financial liabilities held for trading	58,088	1.31%	28,187	0.57%	N/A
Financial liabilities at fair value with changes in the income statement	-	-	-	-	-
Financial liabilities at amortised cost	3,709,259	83.86%	4,210,464	84.42%	(11.90%)
Hedging derivatives	3,089	0.07%	4,454	0.09%	(30.65%)
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	-	-	-	-	-
Liabilities covered under insurance and reinsurance contracts	-	-	-	-	-
Provisions	40,054	0.91%	94,391	1.89%	(57.57%)
Tax liabilities	25,027	0.57%	16,385	0.33%	52.74%
Other liabilities	80,283	1.81%	155,007	3.11%	(48.21%)
Liabilities in groups of disposable items held for sale	-	-	-	-	-
TOTAL LIABILITIES	3,915,800	88.53%	4,508,888	90.41%	(13.15%)

(Thousand euros)

Net Equity	2017	% / total	2016	% / total	Var. (%) 17-16
Capital	78,842	1.78%	78,842	1.58%	-
Issue premium	73,441	1.66%	73,441	1.47%	-
Issued equity Instruments other than capital	-	-	-	-	-
Gross earnings	375,208	8.48%	341,595	6.85%	9.84%
Revaluation reserves	1,942	0.04%	1,942	0.04%	-
Other reserves	(58,338)	(1.31%)	(63,018)	(1.27%)	(7.43%)
Treasury stock (-)	(1,605)	(0.04%)	(1,605)	(0.03%)	-
Results attributed to majority shareholder	39,153	0.89%	44,642	0.90%	(12.30%)
Interim dividend (-)	-	-	-	-	-
Minority interests	-	-	-	-	-
Shareholders' equity	508,643	11.50%	475,839	9.54%	6.89%
Other cumulative results	(1,810)	(0.04%)	695	0.01%	N/A
Minority interests	607	0.01%	1,864	0.04%	(67.44%)
TOTAL NET EQUITY	507,440	11.47%	478,398	9.59%	6.07%
TOTAL LIABILITIES AND NET EQUITY	4,423,240	100.00%	4,987,286	100.00%	(11.31%)

Consolidated income statement at 31 December 2016 and 2017
ANDBANK /
 Private Bankers

(Thousand euros)

	2017	2016	Var. (%) 17-16
Interest income	52,373	74,697	(29.89%)
Interest expenses	(23,344)	(36,793)	(36.55%)
Dividend income	272	195	39.49%
Interest margin	29,301	38,099	(23.09%)
Commissions earned	187,114	189,583	(1.30%)
Commission paid	(40,147)	(42,227)	(4.93%)
Base margin	176,268	185,455	(4.95%)
Yields on capital instruments	-	-	-
Results of enterprises carried using the equity method	-	-	-
Results from financial operations	43,360	66,944	(35.23%)
Results on assets and liabilities covered under insurance and reinsurance contracts	-	-	-
Other operating income	7,781	6,371	22.13%
Other operating expenses	(7,824)	(10,401)	(24.78%)
Gross margin	219,585	248,369	(11.59%)
Administrative expenses	(165,034)	(171,963)	(4.03%)
Staff costs	(104,449)	(107,001)	(2.39%)
Other general administrative expenses	(60,585)	(64,962)	(6.74%)
Amortisation	(13,440)	(13,578)	(1.02%)
Provisions funded (net)	(5,975)	(142)	N/A
Net impairment of financial assets not recognised at fair value with changes in profit and loss	5,714	(4,326)	N/A
Operating results	40,850	58,360	(30.00%)
Net impairment of investments in jointly-controlled companies or associates	(771)	(11)	N/A
Net impairment of non-financial assets	15	-	-
Profit (loss) on sales of non-current assets	3,036	(8,110)	N/A
Pre-tax profits (loss)	43,130	50,239	(14.15%)
Corporation tax	(4,331)	(6,051)	(28.43%)
Results for the year from continuing operations	38,799	44,188	(12.20%)
Results from discontinued operations (net)	-	-	-
FY RESULTS	38,799	44,188	(12.20%)
Attributed to majority shareholder	39,153	44,642	(12.30%)
Attributed to minority shareholders	354	454	(22.03%)



Appendix

Information on the Andorran banking sector
Andorran banking groups



MORA BANC GRUP, SA

📍 Av. Meritxell, 96
AD500 Andorra la Vella
(Principat d'Andorra)

☎ +376 884488

📠 +376 884499

www.morabanc.com

Chairman	Mr Jordi Mora Magriñà
Chief executive officer	Mr Pedro González Grau

MORA BANC, SAU

📍 Plaça Coprínceps, 2
AD700 Escaldes-Engordany
(Principat d'Andorra)

☎ +376 884488

📠 +376 884499

www.morabanc.com

Chairman	Mr Òscar Aristot Borràs
Chief executive officer	Mr Pedro González Grau

As at 31 December 2017.

Consolidated balance sheets as at 31 December 2016 and 2017


(Thousand euros)

Assets	2017	% / total	2016	% / total	Var. (%) 17-16
Cash, cash at central banks and other sight deposits	19,104	0.74%	43,005	1.62%	(55.58%)
Financial assets held for trading	194,835	7.56%	223,441	8.40%	(12.80%)
Financial assets at fair value with changes in the income statement	357,145	13.86%	356,757	13.41%	0.11%
Financial assets available for sale	419,793	16.29%	335,107	12.59%	25.27%
Loans and receivables	1,360,329	52.77%	1,502,145	56.45%	(9.44%)
Investments held to maturity	66,408	2.58%	31,601	1.19%	N/A
Derivatives - compatibility with hedges	753	0.03%	43	-	N/A
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	12	-	-	-	-
Investments in jointly-controlled businesses and associates	31	-	50	-	(38.00%)
Assets covered under insurance and reinsurance contracts	35,961	1.40%	38,021	1.43%	(5.42%)
Property, plant and equipment	83,120	3.22%	80,540	3.03%	3.20%
Intangible assets	10,550	0.41%	10,587	0.40%	(0.35%)
Tax assets	6,936	0.27%	7,031	0.26%	(1.35%)
Other assets	7,565	0.28%	14,165	0.52%	(46.59%)
Disposable non-current assets held for sale	15,153	0.59%	18,589	0.70%	(18.48%)
TOTAL ASSETS	2,577,695	100.00%	2,661,082	100.00%	(3.13%)

Consolidated balance sheets as at 31 December 2016 and 2017



(Thousand euros)

Liabilities	2017	% / total	2016	% / total	Var. (%) 17-16
Financial liabilities held for trading	16,167	0.63%	18,479	0.69%	(12.51%)
Financial liabilities at fair value with changes in the income statement	405,870	15.75%	461,982	17.36%	(12.15%)
Financial liabilities at amortised cost	1,739,956	67.50%	1,767,667	66.43%	(1.57%)
Hedging derivatives	3,148	0.12%	4,663	0.18%	(32.49%)
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	779	0.03%	-	-	-
Liabilities covered under insurance and reinsurance contracts	86,094	3.34%	83,158	3.12%	3.53%
Provisions	26,004	1.01%	24,941	0.94%	4.26%
Tax liabilities	5,360	0.21%	5,294	0.20%	1.25%
Other liabilities	17,067	0.65%	24,203	0.91%	(29.48%)
Liabilities in groups of disposable items held for sale	-	-	-	-	-
TOTAL LIABILITIES	2,300,445	89.24%	2,390,387	89.83%	(3.76%)

(Thousand euros)

Net Equity	2017	% / total	2016	% / total	Var. (%) 17-16
Capital	42,407	1.65%	42,407	1.59%	-
Issue premium	-	-	-	-	-
Issued equity Instruments other than capital	-	-	-	-	-
Gross earnings	145,608	5.65%	148,469	5.58%	(1.93%)
Revaluation reserves	-	-	-	-	-
Other reserves	75,841	2.94%	63,721	2.39%	19.02%
Treasury stock (-)	-	-	-	-	-
Results attributed to majority shareholder	23,517	0.91%	22,695	0.85%	3.62%
Interim dividend (-)	(12,925)	(0.50%)	(13,800)	(0.51%)	(6.34%)
Minority interests	(4)	-	(4)	-	-
Shareholders' equity	274,444	10.65%	263,488	9.90%	4.16%
Other cumulative results	2,806	0.11%	7,207	0.27%	(61.07%)
Minority interests	-	-	-	-	-
TOTAL NET EQUITY	277,250	10.76%	270,695	10.17%	2.42%
TOTAL LIABILITIES AND NET EQUITY	2,577,695	100.00%	2,661,082	100.00%	(3.13%)

Consolidated income statement at 31 December 2016 and 2017


(Thousand euros)

	2017	2016	Var. (%) 17-16
Interest income	26,938	27,215	(1.02%)
Interest expenses	(5,858)	(8,020)	(26.96%)
Dividend income	166	1,171	(85.82%)
Interest margin	21,246	20,366	4.32%
Commissions earned	65,182	77,664	(16.07%)
Commissions paid	(10,382)	(8,569)	21.16%
Base margin	76,046	89,461	(15.00%)
Yields on capital instruments	-	-	-
Results of enterprises carried using the equity method	(99)	9	N/A
Results from financial operations	10,837	27,463	(60.54%)
Results on assets and liabilities covered under insurance and reinsurance contracts	2,433	4,017	(39.43%)
Other operating income	606	2,442	(75.18%)
Other operating expenses	(1,013)	(2,187)	(53.68%)
Gross margin	88,810	121,205	(26.73%)
Administrative expenses	(51,797)	(66,560)	(22.18%)
Staff costs	(30,158)	(35,877)	(15.94%)
Other general administrative expenses	(21,639)	(30,683)	(29.48%)
Amortisation	(8,010)	(7,561)	5.94%
Provisions funded (net)	(2,256)	(11,984)	(81.17%)
Net impairment of financial assets not recognised at fair value with changes in profit and loss	(1,814)	(8,278)	(78.09%)
Operating results	24,933	26,822	(7.04%)
Net impairment of investments in jointly-controlled companies or associates	-	-	-
Net impairment of non-financial assets	-	-	-
Profit (loss) from non-current assets	90	(2,197)	N/A
Pre-tax profits (loss)	25,023	24,625	1.62%
Corporation tax	(1,506)	(1,930)	(21.97%)
Results for the year from continuing operations	23,517	22,695	3.62%
Results from discontinued operations (net)	-	-	-
FY RESULTS	23,517	22,695	3.62%
Attributed to majority shareholder	23,517	22,695	3.62%
Attributed to minority shareholders	-	-	-



Appendix

Information on the Andorran banking sector
Andorran banking groups



GRUP CRÈDIT ANDORRÀ

📍 Av. Meritxell, 80
AD500 Andorra la Vella
(Principat d'Andorra)

☎ +376 888000

📠 +376 888021

www.creditandorrargroup.com

Chairman	Mr Antoni Pintat Mas
Vice-Chairman	Mr Jaume Casal Mor
Chief executive officer	Mr Josep Peralba Duró
General Manager	Mr Xavier Cornella Castel

As at 31 December 2017.

Consolidated balance sheets as at 31 December 2016 and 2017


(Thousand euros)

Assets	2017	% / total	2016	% / total	Var. (%) 17-16
Cash, cash at central banks and other sight deposits	251,265	4.60%	325,221	5.64%	(22.74%)
Financial assets held for trading	5,547	0.10%	40,509	0.70%	(86.31%)
Financial assets at fair value with changes in the income statement	201,545	3.69%	235,134	4.08%	(14.29%)
Financial assets available for sale	270,128	4.95%	333,822	5.79%	(19.08%)
Loans and receivables	2,647,418	48.49%	2,733,717	47.44%	(3.16%)
Investments held to maturity	1,603,403	29.37%	1,579,095	27.40%	1.54%
Derivatives - compatibility with hedges	-	-	-	-	-
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	25,611	0.47%	34,359	0.60%	(25.46%)
Investments in jointly-controlled businesses and associates	31,491	0.58%	26,696	0.46%	17.96%
Assets covered under insurance and reinsurance contracts	2,760	0.05%	2,706	0.05%	2.00%
Property, plant and equipment	127,155	2.33%	139,053	2.41%	(8.56%)
Intangible assets	112,717	2.06%	106,953	1.86%	5.39%
Tax assets	25,694	0.47%	31,613	0.55%	(18.72%)
Other assets	51,898	0.95%	62,046	1.09%	(16.36%)
Disposable non-current assets held for sale	103,285	1.89%	111,188	1.93%	(7.11%)
TOTAL ASSETS	5,459,917	100.00%	5,762,112	100.00%	(5.24%)

Consolidated balance sheets as at 31 December 2016 and 2017



(Thousand euros)

Liabilities	2017	% / total	2016	% / total	Var. (%) 17-16
Financial liabilities held for trading	4,772	0.09%	7,212	0.13%	(33.83%)
Financial liabilities at fair value with changes in the income statement	123,374	2.26%	123,094	2.14%	0.23%
Financial liabilities at amortised cost	4,493,974	82.31%	4,889,126	84.85%	(8.08%)
Hedging derivatives	42,192	0.77%	48,661	0.84%	(13.29%)
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	-	-	-	-	-
Liabilities covered under insurance and reinsurance contracts	254,287	4.66%	294,370	5.11%	(13.62%)
Provisions	62,305	1.14%	64,228	1.11%	(2.99%)
Tax liabilities	2,169	0.04%	8,721	0.15%	(75.13%)
Other liabilities	55,746	1.02%	64,597	1.12%	(13.70%)
Liabilities in groups of disposable items held for sale	-	-	-	-	-
TOTAL LIABILITIES	5,038,819	92.29%	5,500,009	95.45%	(8.39%)

(Thousand euros)

Net Equity	2017	% / total	2016	% / total	Var. (%) 17-16
Capital	63,462	1.16%	70,000	1.21%	(9.34%)
Issue premium	-	-	-	-	-
Issued equity Instruments other than capital	-	-	-	-	-
Gross earnings	-	-	-	-	-
Revaluation reserves	-	-	-	-	-
Other reserves	293,721	5.38%	151,029	2.62%	94.48%
Treasury stock (-)	-	-	-	-	-
Results attributed to majority shareholder	50,194	0.92%	31,532	0.55%	59.18%
Interim dividend (-)	-	-	(7,900)	(0.14%)	-
Minority interests	-	-	-	-	-
Shareholders' equity	407,377	7.46%	244,661	4.24%	66.51%
Other cumulative results	4,972	0.09%	8,319	0.14%	(40.23%)
Minority interests	8,749	0.16%	9,123	0.17%	(4.10%)
TOTAL NET EQUITY	421,098	7.71%	262,103	4.55%	60.66%
TOTAL LIABILITIES AND NET EQUITY	5,459,917	100.00%	5,762,112	100.00%	(5.24%)

Consolidated income statement at 31 December 2016 and 2017


(Thousand euros)

	2017	2016	Var. (%) 17-16
Interest income	70,243	83,643	(16.02%)
Interest expenses	(31,532)	(37,992)	(17.00%)
Dividend income	3,730	1,665	N/A
Interest margin	42,441	47,316	(10.30%)
Commissions earned	158,678	161,762	(1.91%)
Commissions paid	(33,135)	(31,426)	5.44%
Base margin	167,984	177,652	(5.44%)
Yields on capital instruments	-	-	-
Results of enterprises carried using the equity method	3,398	3,323	2.26%
Results from financial operations	17,189	61,245	(71.93%)
Results on assets and liabilities covered under insurance and reinsurance contracts	4,192	(2,267)	N/A
Other operating income	15,318	10,246	49.50%
Other operating expenses	(9,094)	(4,994)	82.10%
Gross margin	198,987	245,205	(18.85%)
Administrative expenses	(127,330)	(124,950)	1.90%
Staff costs	(71,901)	(71,404)	0.70%
Other general administrative expenses	(55,429)	(53,546)	3.52%
Amortisation	(12,264)	(14,033)	(12.61%)
Provisions funded (net)	(2,092)	(8,058)	(74.04%)
Net impairment of financial assets not recognised at fair value with changes in profit and loss	(228)	(18,902)	(98.79%)
Operating results	57,073	79,262	(27.99%)
Net impairment of investments in jointly-controlled companies or associates	(231)	(424)	(45.52%)
Net impairment of non-financial assets	-	(17,983)	-
Profit (loss) from non-current assets	(623)	(31,934)	(98.05%)
Pre-tax profits (loss)	56,219	28,921	94.39%
Corporation tax	(5,660)	2,971	N/A
Results for the year from continuing operations	50,559	31,892	58.53%
Results from discontinued operations (net)	-	-	-
FY RESULTS	50,559	31,892	58.53%
Attributed to majority shareholder	50,194	31,532	59.18%
Attributed to minority shareholders	365	360	1.39%



Appendix

Information on the Andorran banking sector
Andorran banking groups



**BancSabadell
d'Andorra**



BANCSABADELL D'ANDORRA, SA

📍 Av. del Fener, 7
AD500 Andorra la Vella
(Principat d'Andorra)

☎ +376 735600

📠 +376 735601

www.bsa.ad

Chairman	Mr Josep Permanyer Cunillera
Chief executive officer	Mr Miquel Alabern Comas
Director - General Manager	Mr Josep Segura Solà

Consolidated balance sheets as at 31 December 2016 and 2017


(Thousand euros)

Assets	2017	% / total	2016	% / total	Var. (%) 17-16
Cash, cash at central banks and other sight deposits	22,079	2.85%	43,050	5.92%	(48.71%)
Financial assets held for trading	30,445	3.93%	37,263	5.12%	(18.30%)
Financial assets at fair value with changes in the income statement	39,526	5.11%	34,827	4.79%	13.49%
Financial assets available for sale	59,040	7.63%	53,084	7.29%	11.22%
Loans and receivables	428,833	55.42%	385,158	52.93%	11.34%
Investments held to maturity	154,495	19.97%	135,683	18.64%	13.86%
Derivatives - compatibility with hedges	1,241	0.16%	1,058	0.14%	17.30%
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	-	-	-	-	-
Investments in jointly-controlled businesses and associates	-	-	60	0.01%	-
Assets covered under insurance and reinsurance contracts	-	-	-	-	-
Property, plant and equipment	25,148	3.25%	26,479	3.64%	(5.03%)
Intangible assets	257	0.03%	261	0.04%	(1.53%)
Tax assets	201	0.03%	118	0.02%	70.34%
Other assets	6,659	0.87%	5,240	0.72%	27.08%
Disposable non-current assets held for sale	5,799	0.75%	5,388	0.74%	7.63%
TOTAL ASSETS	773,723	100.00%	727,669	100.00%	6.33%

Consolidated balance sheets as at 31 December 2016 and 2017



(Thousand euros)

Liabilities	2017	% / total	2016	% / total	Var. (%) 17-16
Financial liabilities held for trading	-	-	-	-	-
Financial liabilities at fair value with changes in the income statement	39,526	5.11%	34,836	4.79%	13.46%
Financial liabilities at amortised cost	638,123	82.47%	609,639	83.78%	4.67%
Hedging derivatives	1,150	0.15%	604	0.08%	90.40%
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	-	-	-	-	-
Liabilities covered under insurance and reinsurance contracts	-	-	-	-	-
Provisions	1,175	0.15%	1,139	0.16%	3.16%
Tax liabilities	1,180	0.15%	409	0.06%	N/A
Other liabilities	11,202	1.46%	7,169	0.98%	56.26%
Liabilities in groups of disposable items held for sale	15	-	-	-	-
TOTAL LIABILITIES	692,371	89.49%	653,796	89.85%	5.90%

(Thousand euros)

Net Equity	2017	% / total	2016	% / total	Var. (%) 17-16
Capital	30,069	3.89%	30,069	4.13%	-
Issue premium	-	-	-	-	-
Issued equity Instruments other than capital	-	-	-	-	-
Gross earnings	-	-	-	-	-
Revaluation reserves	2,288	0.30%	2,288	0.31%	-
Other reserves	38,535	4.97%	31,250	4.30%	23.31%
Treasury stock (-)	-	-	-	-	-
Results attributed to majority shareholders	10,039	1.30%	10,161	1.40%	(1.20%)
Interim dividend (-)	-	-	-	-	-
Minority interests	-	-	-	-	-
Shareholders' equity	80,931	10.46%	73,768	10.14%	9.71%
Other cumulative results	421	0.05%	105	0.01%	N/A
Minority interests	-	-	-	-	-
TOTAL NET EQUITY	81,352	10.51%	73,873	10.15%	10.12%
TOTAL LIABILITIES AND NET EQUITY	773,723	100.00%	727,669	100.00%	6.33%

Consolidated income statement at 31 December 2016 and 2017


(Thousand euros)

	2017	2016	Var. (%) 17-16
Interest income	12,263	12,008	2.12%
Interest expenses	(1,340)	(2,109)	(36.46%)
Dividend income	30	29	3.45%
Interest margin	10,953	9,928	10.32%
Commissions earned	12,471	15,985	(21.98%)
Commissions paid	(2,507)	(2,513)	(0.24%)
Base margin	20,917	23,400	(10.61%)
Yields on capital instruments	-	-	-
Results of enterprises carried using the equity method	-	-	-
Results from financial operations	2,500	4,981	(49.81%)
Results on assets and liabilities covered under insurance and reinsurance contracts	-	-	-
Other operating income	367	417	(11.99%)
Other operating expenses	(140)	(322)	(56.52%)
Gross margin	23,644	28,476	(16.97%)
Administrative expenses	(12,744)	(11,131)	14.48%
Staff costs	(7,275)	(6,389)	13.87%
Other general administrative expenses	(5,468)	(4,742)	15.31%
Amortisation	(957)	(1,090)	(12.20%)
Provisions funded (net)	(94)	(206)	(54.37%)
Net impairment of financial assets not recognised at fair value with changes in profit and loss	695	(5,241)	N/A
Operating results	10,544	10,808	(2.43%)
Net impairment of investments in jointly-controlled companies or associates	-	-	-
Net impairment of non-financial assets	-	(1,083)	-
Profit (loss) from non-current assets	120	480	(75.00%)
Pre-tax profits (loss)	10,664	10,205	4.50%
Corporation tax	(625)	(44)	N/A
Results for the year from continuing operations	10,039	10,161	(1.20%)
Results from discontinued operations (net)	-	-	-
FY RESULTS	10,039	10,161	(1.20%)
Attributed to majority shareholder	10,039	10,161	(1.20%)
Attributed to minority shareholders	-	-	-



Appendix

Information on the Andorran banking sector
Andorran banking groups



VALL BANC, SAU

📍 Av. Carlemany, 119
AD700 Escaldes-Engordany
(Principat d'Andorra)

☎ +376 750700

📠 +376 750701

www.vallbanc.ad

Chairman	Mr Richard Carrión
Chief executive officer (CEO)	Mr Michael Christner
Chief Finance & Risk Officer (CFRO)	Mr Cándido Romero
General Business Manager	Mr Sergi Pallerola Gené

Consolidated balance sheets as at 31 December 2016 and 2017


(Thousand euros)

Assets	2017	% / total	2016	% / total	Var. (%) 17-16
Cash, cash at central banks and other sight deposits	167,552	18.40%	174,329	17.60%	(3.89%)
Financial assets held for trading	-	-	11,213	1.13%	-
Financial assets at fair value with changes in the income statement	14,953	1.64%	149,786	15.12%	(90.02%)
Financial assets available for sale	62,883	6.90%	116,582	11.77%	(46.06%)
Loans and receivables	467,998	51.38%	448,312	45.25%	4.39%
Investments held to maturity	-	-	12,182	1.23%	-
Derivatives - compatibility with hedges	-	-	-	-	-
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	-	-	-	-	-
Investments in jointly-controlled businesses and associates	47	0.01%	36	-	30.56%
Assets covered under insurance and reinsurance contracts	-	-	-	-	-
Property, plant and equipment	59,009	6.48%	59,028	5.96%	(0.03%)
Intangible assets	16,687	1.83%	10,410	1.05%	60.30%
Tax assets	273	0.03%	2,145	0.22%	(87.27%)
Other assets	28,605	3.14%	6,743	0.67%	N/A
Disposable non-current assets held for sale	92,800	10.19%	-	-	-
TOTAL ASSETS	910,807	100.00%	990,766	100.00%	(8.07%)

Consolidated balance sheets as at 31 December 2016 and 2017



(Thousand euros)

Liabilities	2017	% / total	2016	% / total	Var. (%) 17-16
Financial liabilities held for trading	-	-	-	-	-
Financial liabilities at fair value with changes in the income statement	-	-	-	-	-
Financial liabilities at amortised cost	741,517	81.41%	768,065	77.52%	(3.46%)
Hedging derivatives	-	-	-	-	-
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	-	-	-	-	-
Liabilities covered under insurance and reinsurance contracts	-	-	-	-	-
Provisions	2,679	0.29%	149,548	15.09%	(98.21%)
Tax liabilities	3,234	0.36%	4,721	0.48%	(31.50%)
Other liabilities	12,668	1.39%	10,989	1.11%	15.28%
Liabilities in groups of disposable items held for sale	86,660	9.51%	-	-	-
TOTAL LIABILITIES	846,758	92.97%	933,323	94.20%	(9.27%)

(Thousand euros)

Net Equity	2017	% / total	2016	% / total	Var. (%) 17-16
Capital	30,000	3.29%	30,000	3.03%	-
Issue premium	-	-	-	-	-
Issued equity Instruments other than capital	-	-	-	-	-
Gross earnings	16,319	1.79%	(648)	(0.07%)	N/A
Revaluation reserves	-	-	-	-	-
Other reserves	10,232	1.12%	10,232	1.04%	-
Treasury stock (-)	-	-	-	-	-
Results attributed to majority shareholders	8,353	0.92%	16,967	1.71%	(50.77%)
Interim dividend (-)	-	-	-	-	-
Minority interests	-	-	-	-	-
Shareholders' equity	64,904	7.12%	56,551	5.71%	14.77%
Other cumulative results	(855)	(0.09%)	892	0.09%	N/A
Minority interests	-	-	-	-	-
TOTAL NET EQUITY	64,049	7.03%	57,443	5.80%	11.50%
TOTAL LIABILITIES AND NET EQUITY	910,807	100.00%	990,766	100.00%	(8.07%)

Consolidated income statement at 31 December 2016 and 2017


(Thousand euros)

	2017	2016	Var. (%) 17-16
Interest income	8,533	9,611	(11.22%)
Interest expenses	(5,309)	(661)	N/A
Dividend income	35	8	N/A
Interest margin	3,259	8,958	(63.62%)
Commissions earned	25,277	13,904	81.80%
Commissions paid	(1,707)	(690)	N/A
Base margin	26,829	22,172	21.00%
Yields on capital instruments	-	-	-
Results of enterprises carried using the equity method	-	-	-
Results from financial operations	4,982	1,649	N/A
Results on assets and liabilities covered under insurance and reinsurance contracts	-	-	-
Other operating income	2,277	391,719	(99.42%)
Other operating expenses	20	(389,182)	N/A
Gross margin	34,108	26,358	29.40%
Administrative expenses	(27,688)	(17,508)	58.14%
Staff costs	(12,754)	(8,670)	47.10%
Other general administrative expenses	(14,934)	(8,838)	68.97%
Amortisation	(3,335)	(2,539)	31.35%
Provisions funded (net)	(999)	(1,517)	(34.15%)
Net impairment of financial assets not recognised at fair value with changes in profit and loss	4,729	(13,408)	N/A
Operating results	6,815	(8,614)	N/A
Net impairment of investments in jointly-controlled companies or associates	(54)	(3)	N/A
Net impairment of non-financial assets	-	26,242	-
Profit (loss) from non-current assets	-	-	-
Pre-tax profits (loss)	6,761	17,625	(61.64%)
Corporation tax	60	(658)	N/A
Results for the year from continuing operations	6,821	16,967	(59.80%)
Results from discontinued operations (net)	1,532	-	-
FY RESULTS	8,353	16,967	(50.77%)
Attributed to majority shareholder	8,353	16,967	(50.77%)
Attributed to minority shareholders	-	-	-



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