Annual Report 2018

Andorran Banking

Excellence and trust

Andorran Banking
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2018 Annual Report

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Note: The legislation in this publication is updated through 30 April 2019.

1 Foreword by the Chairman of Andorran Banking

Once again Andorra's banking sector overcame a number of challenges in 2018. The country's financial institutions are now facing the final part of their transformation with a firm commitment to transparency and compliance with international regulations and standards. The Andorran banking sector ended 2018 by consolidating its position with a total of €44.9bn of managed resources, a figure that has remained stable over the past three years, but which has almost doubled in the last decade.

After several years of changes in the international financial scene, Andorra remains a strong financial centre with figures that generate confidence. In 2018, all Andorran banks maintained their international credit ratings, which shows the agencies' renewed confidence in the industry as Andorran banks continue to enjoy solid fundamentals. One other important factor that points to the sustainability and reliability of the Andorran banking sector is its financial return (ROE), which stood at 7.31%, above the average of the European banks [6.2% according to data from the European Central Bank (ECB) for the 4th quarter of 2018].

The figures for last year also show a profitable and solvent sector. The CET 1 (*phase-in*) solvency ratio —calculated on a comparative basis— was 16.30% on 31 December 2018, above the average of European banks (which was 14.34% according to ECB data for the 4th quarter of 2018). We are an internationally active financial marketplace, and these positive figures make an attractive case for clients from across the world to choose us as a sound financial option. They also show that we are a major player in the Andorran economy and that we are committed to improving both the country's economic growth and well-being.

In 2018, banks injected some 970 million euros (up +27.90% from last year) into the real economy, in the form of loans and credit to businesses and individuals, thanks to a combination of economic recovery and growth in demand. Despite this, global credit investment amounted to €5.9bn, which was 1.20% less than the previous year due to the repayment of existing loans.

The net attributable profit for last year was €100m, taking into account the economic environment of low interest rates and the fall in stock market prices during the previous year. This figure should also be contextualised in terms of the current trend in the industry, which has been for banks to prioritise technological investment, especially in digital transformation

Lluís Alsina
Chairman of Andorran Banking

projects, with €30m being invested in 2018, and to upgrade both their equipment and processes to implement in a record time the regulatory revolution that European banks have also gone through. 4.5% of the profits made by banks were spent on social initiatives in Andorra, which testifies to the industry's attachment and commitment to the local community.

2018 has been a year in which we made progress towards full compliance. Confidence in the Andorran banking sector was further strengthened in 2018 by Moneyval's latest report, which highlighted the efforts made by Andorra in terms of the prevention of money laundering and the financing of terrorism, and its recognition as a cooperating country according to the ECOFIN. As a banking centre, we are well equipped to face the future with the vast experience of our professional teams; a growing domestic economy; an international market with numerous opportunities; high creditworthiness and strength; a digital transformation process; and advanced regulations.

More generally, the banking sector has accompanied the development of the Andorran economy, which has grown by 1.6% in real GDP terms according to data from the Department of Statistics. The forecasts for 2019, prepared by the Chamber of Commerce, Services and Industry, point to continued growth and dynamism in the construction and real estate sectors, combined with a contraction of business in the retail trade and hotel industry due to a slowdown of the Spanish and French economies.

Globally, growth is expected to weaken in 2019 according to the OECD, particularly in Europe, due to the impact of the slowdown of the Chinese economy, the decrease in credit growth, and the risks of Brexit.

Against this background, we are pleased to present our business report for 2018. We are confident that it will contribute to making the Andorran banking sector better known to the public. Andorra is a financial marketplace that faces exciting challenges and offers a business model with attractive opportunities, thanks to its creditworthiness and the banking expertise that comes with a history of more than 85 years.

May 2019

2

Organisation chart of Andorran Banking

Members of the General Assembly

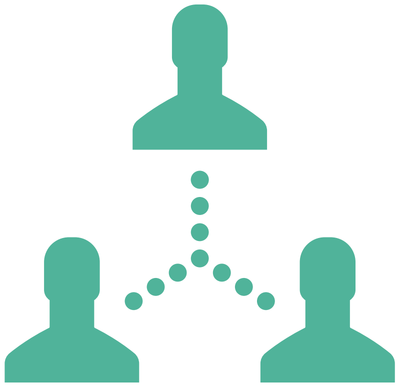
Lluís Alsina
MoraBanc
Chairman

Josep Segura
BancSabadell d'Andorra
Vice-Chairman

Esther Puigcercós
Secretary and General Manager

Commissions

- Legal
- Compliance
- Regulatory
- Tax
- Credits
- Communication
- Portfolio
- IT
- Means of payment
- Security
- Human Resources
- Innovation



Ricard Tubau
Andbank

Gisela Villagordo
MoraBanc

Xavier Cornella
Grup Crèdit Andorrà

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

3 Chronology of the events linked to Andorra's transformation process

MP	Means of payment
MA	Monetary Agreement
RTG	Rating
REG	Regulation
PML/TF	Prevention of money laundering and terrorist financing
TR	Transparency

2019

MA	3 April	Approval of the Regulation for the adoption of EU technical standards applicable to the solvency, liquidity and prudential supervision of credit institutions and investment firms.
MA	3 April	Approval of the Regulation on organisational requirements and operating conditions for institutions operating in the financial sector, investor protection, market abuse and financial collateral agreements.
MA	27 March	Approval of international financial information standards in force in the European Union, which have been adapted by Andorra (IFRS-Andorra).
MP	5 March	**Andorran banking institutions become part of SEPA.**
MP	1 March	Andorra becomes part of the *Single European Payment Area* - SEPA.
MA	15 February	**Approval of Law 17/2019 amending Law 8/2013, of 9 May, on organisational requirements and operating conditions for institutions operating in the financial sector, investor protection, market abuse and financial collateral agreements.**
PML/TF	11 February	Publication of the progress report of the 5th evaluation of Moneyval.
MP	11 February	The *European Payment Council* updates the list of countries adhering to SEPA schemes on which the Principality of Andorra is included.
RTG	9 February	**Fitch Ratings reaffirms Andorra's rating at BBB+ and stable outlook.**
REG	1 February	Entry into force of Law 31/2018 on labour relations.
MA	24 January	**Entry into force of Law 35/2018 on the solvency, liquidity and prudential supervision of credit institutions and investment firms and of Law 36/2018 on financial conglomerates.**

TR	23 January	Approval of the decree relating to the technical note on the audit procedure for external auditors on CRS.
RTG	19 January	**Standard & Poor's confirms Andorra's BBB/A-2 rating and maintains a stable outlook.**
REG	1 January	Entry into force of qualified Law 32/2018 on union and employer action and qualified Law 33/2018 on industrial action.

2018

MA	20 December	**Approval of Law 35/2018 on the solvency, liquidity and prudential supervision of credit institutions and investment firms and of Law 36/2018 on financial conglomerates.**
PML/TF	6 December	Moneyval Plenary Session (5th evaluation *follow-up*).
TR	5 December	**The EU considers Andorra to be a fully cooperating country in taxation matters and excludes it from the grey list.**
MP	21 December	Approval of the Regulation relating to the legal regime of payment services and electronic money and of payment institutions and electronic money institutions (PSD2).
TR	15 November	The OECD endorses the changes implemented by Andorra and acknowledges that it has no potentially harmful tax regimes (Project BEPS Action 5).
MP	25 October	**Approval of Law 27/2018 amending Law 8/2018 on payment services and electronic money (PSD2).**
TR	19 October	Signature of the OECD multilateral agreement that allows information to be exchanged country by country with all the competent authorities that have signed the agreement.
TR	18 October	Signature of the OECD multilateral agreement within the framework of the BEPS project.
TR	3 October	Approval of the amendment to the Regulation implementing the IAI Law.
PML/TF	21 September	Second course on the prevention of money laundering and financing of terrorism, organised by Andorran Banking together with the University of Andorra and UIFAND.
MA	13 September	**Approval of Law 20/2018 regulating the Andorran Deposit Guarantee Fund and the Andorran Investment Guarantee System, which enters into force on 4 October.**
TR	11 September	Visit by Pascal Saint-Amans, Director of the OECD's Centre for Tax Policy and Administration, to learn about the economic and tax transformations carried out in Andorra. Conference: "Tax cooperation in a post-BEPS and automatic exchange environment".
PML/TF	5 September	Approval of the Regulation governing the recording of, and access to, information relating to beneficial owners in the records of legal entities, in order to bring them into line with international standards.
RTG	11 August	**Fitch rating publication: BBB+.**

TR	26 July	Approval of Law 19/2018 amending the law expanding the number of jurisdictions with which Andorra will exchange information from 2020 (to a total of 95 jurisdictions).
RTG	20 July	**S&P rating publication: BBB.**
TR	3 July	**Lunch-talk in Madrid entitled "The Andorran financial sector in Europe", organised by Andorran Banking and the Government of Andorra.**
MA	20 June	Approval of the Regulation implementing Law 8/2018 on payment services and electronic money and of the Regulation on standards applicable to payment service providers to facilitate the automation of cross-border payments between the Principality of Andorra and the Member States of the European Union.
MA	18 June	Approval of the amendment of the annex to the Monetary Agreement.
REG	31 May	Approval of Law 12/2018 amending INAF Law 10/2013. This amendment transforms INAF into AFA (Andorran Financial Authority) and grants it the powers of an effective supervisor in relation to insurance and reinsurance.
PML/TF	23 May	Approval of the Regulation of Law 14/2017, of 22 June, on the prevention of the laundering of money or securities and the financing of terrorism.
TR	18 May	Signature of the DTA between the Principality of Andorra and Cyprus.
MP	17 May	Approval of Law 27/2018 on payment services and electronic money (PSD1).
TR	19 April	Approval of Law 6/2018 amending Law 95/2010 on corporation tax.
RTG	17 February	**Published Fitch rating: BBB.**
RTG	19 January	**Published S&P rating: BBB.**

2017

TR	5 December	Andorra passes the EU test and is not included on the list of non-cooperative countries.
TR	30 November	Andorra approves two amendments to the Law, expanding the number of jurisdictions with which it will exchange information starting in 2018 (41) and 2019 (73).
TR	26 - 27 October	The first edition of the Andorran Financial Summit is held.
PML/TF	28 September	The fifth round mutual evaluation report on Andorra is adopted by the Moneyval Committee.
RTG	18 August	Published Fitch rating: BBB.

TR	2 August	Regulation of Law 19/2016 on the automatic exchange of tax information is approved.
RTG	29 July	Published S&P rating: BBB.
PML/TF	13 July	Andorra includes tax offences in the list of predicate offences for money laundering.
TR	28 June	The OECD rewards Andorra's efforts and includes it on the list of the most transparent countries published by the Global Forum on Transparency and Exchange of Tax Information.
PML/TF	22 June	Andorra passes Law 14/2017 on the prevention and fight against money laundering and the financing of terrorism.
REG	22 June	Approval of Law 12/2017 on the organisation and supervision of insurance and reinsurance.
TR	7 June	Andorra signs the OECD's Multilateral Convention on the application of the international base erosion and profit shifting (BEPS) measures.
TR	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.
PML/TF	06 - 17 March	Moneyval *on-site* visit as part of the 5th evaluation.
RTG	24 February	Published Fitch rating: BBB.
PML/TF	10 February	Andorran Banking launches the first course on the prevention of money laundering and terrorist financing in collaboration with the University of Andorra.
RTG	27 January	Published S&P rating: BBB-.
TR	13 January	The Andorran Banking's General Assembly updates its Ethical code.
TR	1 January	The agreement for the automatic exchange of tax information signed with the EU takes effect.
TR	1 January	Law 19/2016 on the automatic exchange of tax information takes effect.
MA	1 January	The IFRS - EU take effect.

2016

TR	30 November	Law 19/2016 on the automatic exchange of tax information is approved.
RTG	3 September	Published Fitch rating: BBB.
TR	28 - 29 July	Signing of the Multilateral Convention.
RTG	29 July	Published S&P rating: BBB-.
N/A	11 May	Vall Banc starts its operations.

RTG	11 March	Published Fitch rating: BBB.
TR	26 February	The DTA signed between the Principality of Andorra and Spain enters into force.
RTG	12 February	Published S&P rating: BBB-.
TR	12 February	The AEOI agreement between the EU and Andorra is signed.

2015

TR	3 December	Andorra signs the MCAA with the OECD.
TR	4 November	Andorra ratifies the AEOI agreement with the EU.
PML/TF	14 September	Andorra passes the 4th Moneyval evaluation and moves on to the 5th evaluation.
MA	2 April	Approval of Law 8/2015 on urgent measures to implement restructuring and resolution mechanisms for banking institutions.
PML/TF	2 April	Preparations for the 5th Moneyval evaluation begin, which will take place throughout 2016.

2014

TR	16 June	The OECD declaration on automatic exchange of information is adopted.
TR	June	*Peer Reviews* Phases 1 + 2 (Global Forum).
TR	24 April	Law 5/2014 on the Personal Income Tax (IRPF) is approved.
N/A	April	Negotiations begin for an Association Agreement between the EU and the Principality of Andorra.

2013

TR	5 November	Signing of the Multilateral Convention.
TR	11 October	Mandate to negotiate a review of the Agreement on the taxation of savings income.
MA	10 October	Approval of Law 17/2013 on the introduction of the euro in the framework of the Monetary Agreement signed between the Principality of Andorra and the European Union.
TR	October	Phase 2 Peer Review (Global Forum).

N/A	17 September	The INAF is accepted as full member of IOSCO.
TR	1 January	Law 11/2012 on the Indirect General Tax (IGI) comes into force.

2012

REG	21 June	Law 10/2012 on Foreign Investment is approved to fully liberalise foreign investment.
PML/TF	March	Start of the 4th Moneyval evaluation.

2011

TR	August	Phase 1 Peer Review (Global Forum).
MA	30 June	Andorra signs the Monetary Agreement with the European Union to convert the euro into Andorra's official currency.
N/A	4 April	Memorandum of Understanding signed between INAF and the Bank of Spain setting out a collaboration protocol between the two authorities.

2010

TR	29 December	A tax on corporations, income from business activities and non-residents income is approved.

2009

TR	7 September	Law 3/2009 on the exchange of tax information upon request is approved.
TR	10 March	Andorra signs the Paris Declaration, which sets out a timetable of legislative reforms to facilitate compliance with the OECD transparency requirements.

4

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 the Andorran Banking Association.
- 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.

155
meetings of Andorran Banking Commissions
with the participation of 84 representatives of the member banks.

38
meetings of the management bodies
of the Andorran Business Confederation and the Chamber of Commerce, Industry and Services of Andorra.

Around 44
published articles, interviews, statements, press conferences and releases.

35
meetings
held with Government and banking supervisory bodies.

4
employees
out of 2,618 bank employees.

Around 185
professionals attended, in July 2018, a lunch-talk entitled "The Andorran financial sector in Europe", organised by Andorran Banking and held in Madrid with the participation of the Government of Andorra, the AFA and legal and tax experts who shared their vision of the international approval and transparency process carried out by Andorra.

Social media presence

5

Mission, vision, values and road map 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.

Road map

- Generating security and trust.
- Meeting the new requirements of clients and regulations.
- Responsible and sustainable financing of the economy: the country's economic and social pillar.
- Creating opportunities by positioning Andorran banks on a European and international scale.

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 development and strength of the Andorran banking sector has been driven by services with **greater added value**, a commitment to **digital transformation** aimed at generating value for the end client, **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.

6

Key figures

6.1. Banking sector

The financial system represents

5%

of all employees.

It contributes to approximately

20%

of Gross Domestic Product.

We 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

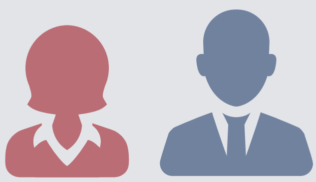
100

million euros with a ROE of

7.31%.

The total number of employees is

2018: 2,618



1,263 **1,355**

The international presence of Andorran banks

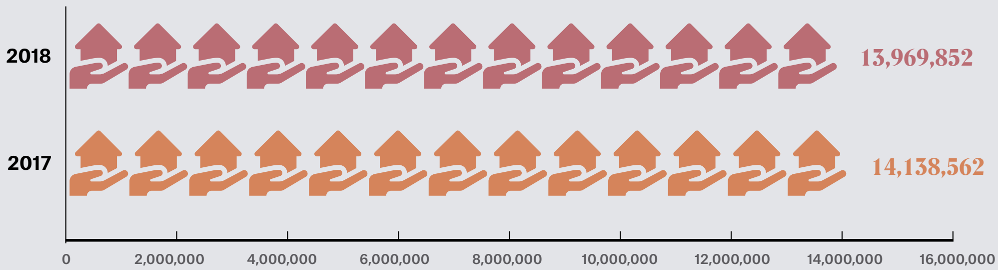
1	Andorra	6	The Bahamas	11	Peru
2	Brazil	7	Luxembourg	12	Switzerland
3	Spain	8	Mexico	13	Uruguay
4	United States	9	Monaco	14	Chile
5	Israel	10	Panama		

6 Key figures

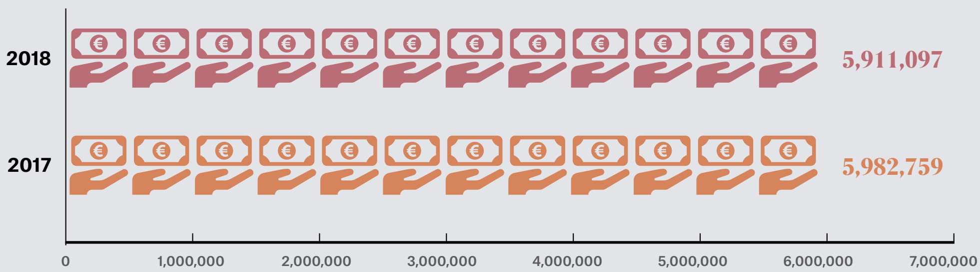
Source: Annual reports from banks.

Banking sector data

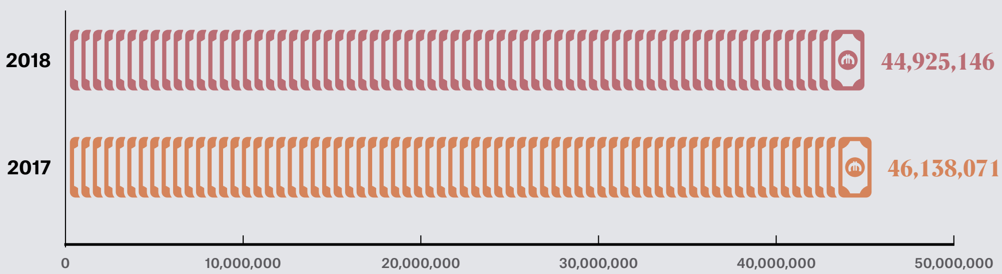
Total assets



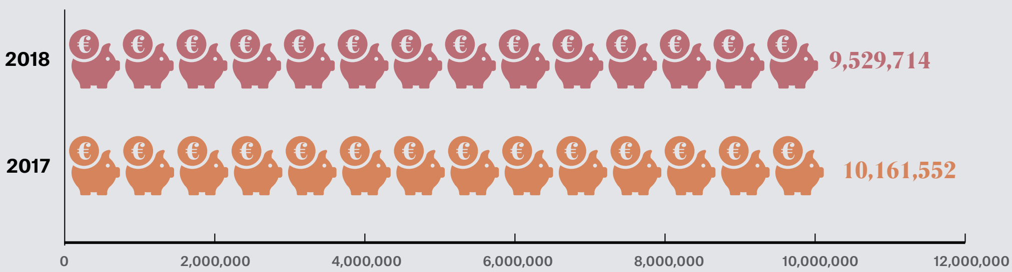
Gross credit investment



Assets under management



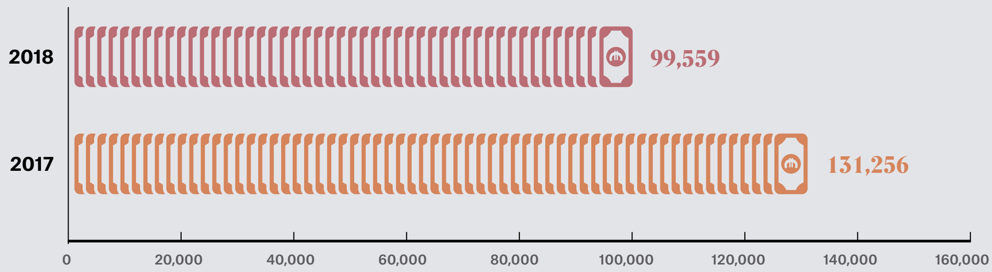
Customer deposits



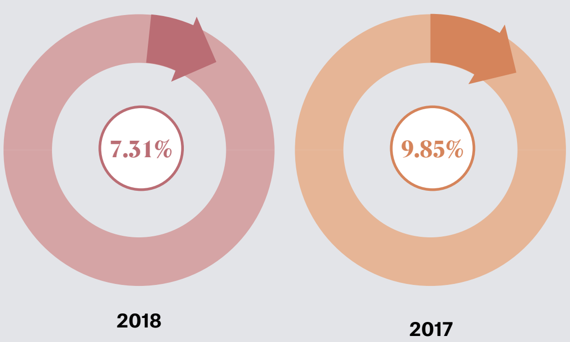
6 Key figures

Source: Annual reports from banks.

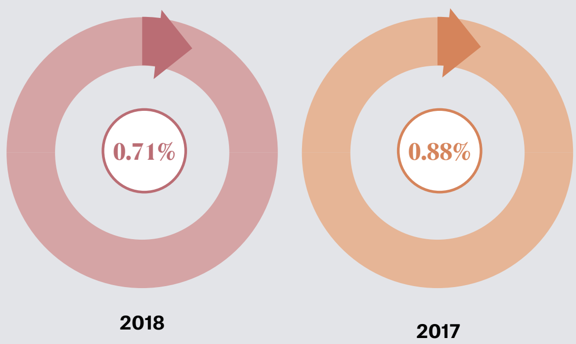
Results



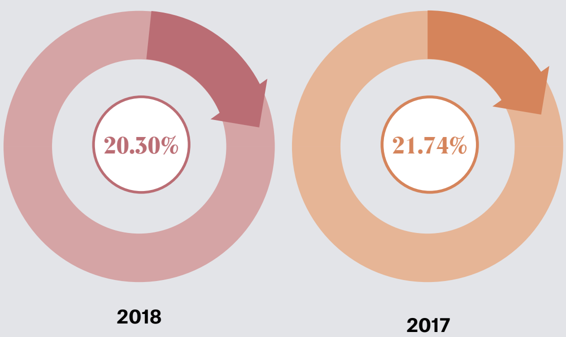
ROE



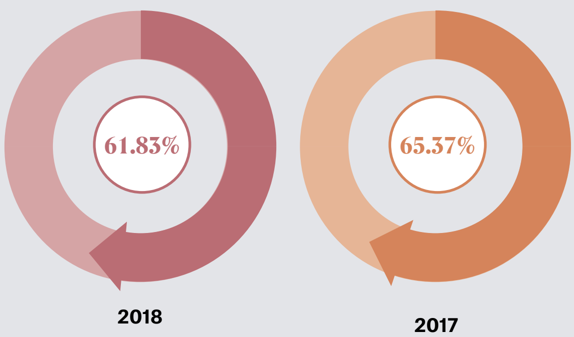
ROA



Solvency ratio



Liquidity ratio

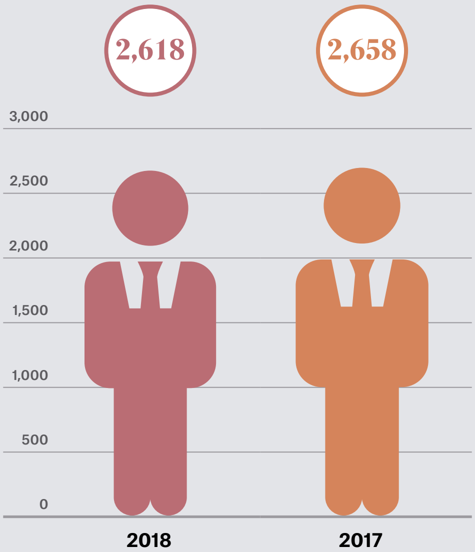


6 Key figures

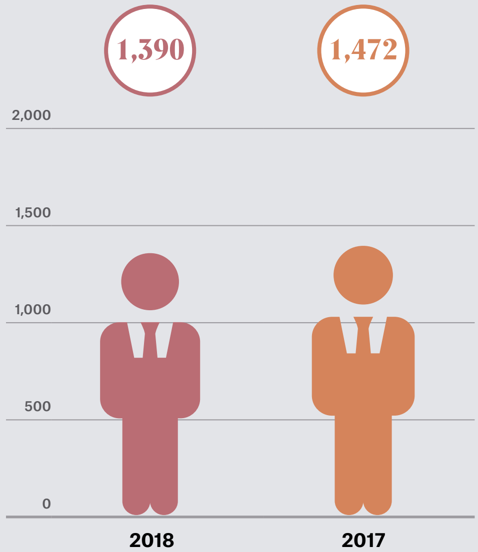
Source: Annual reports from banks.

Banking employees

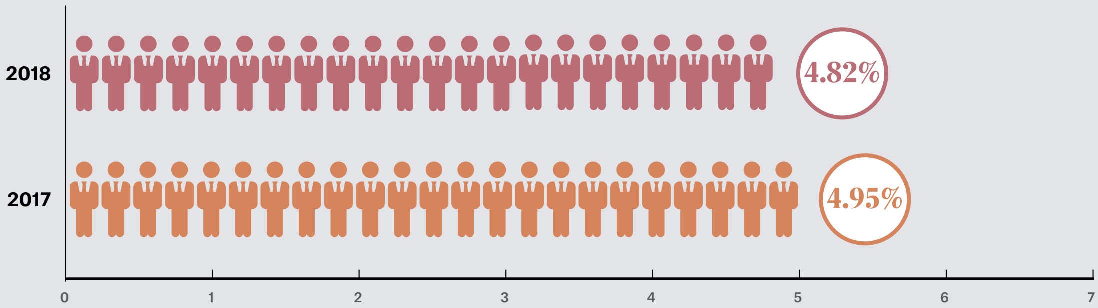
Andorra and abroad



Andorra



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



6 Key figures

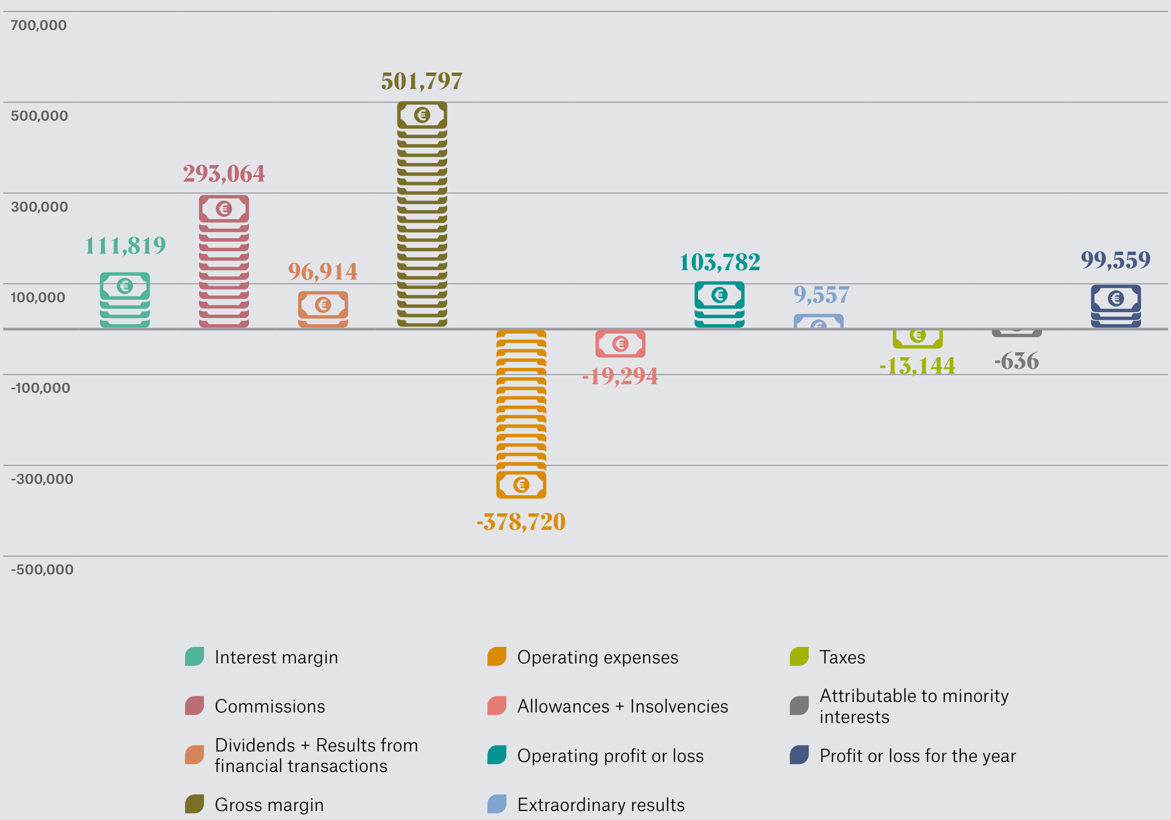
Source: Annual reports from banks.

Long-term rating by bank

	ANDBANK Private Bankers	MORABANC	Crèdit Andorrà	BancSabadell d'Andorra *	VALLBANC
2018	BBB	BBB-	BBB	-	-
2017	BBB	BBB-	BBB	-	-

* 51% owned by Banc de Sabadell.

Sources of 2018 revenues (Thousand euros)

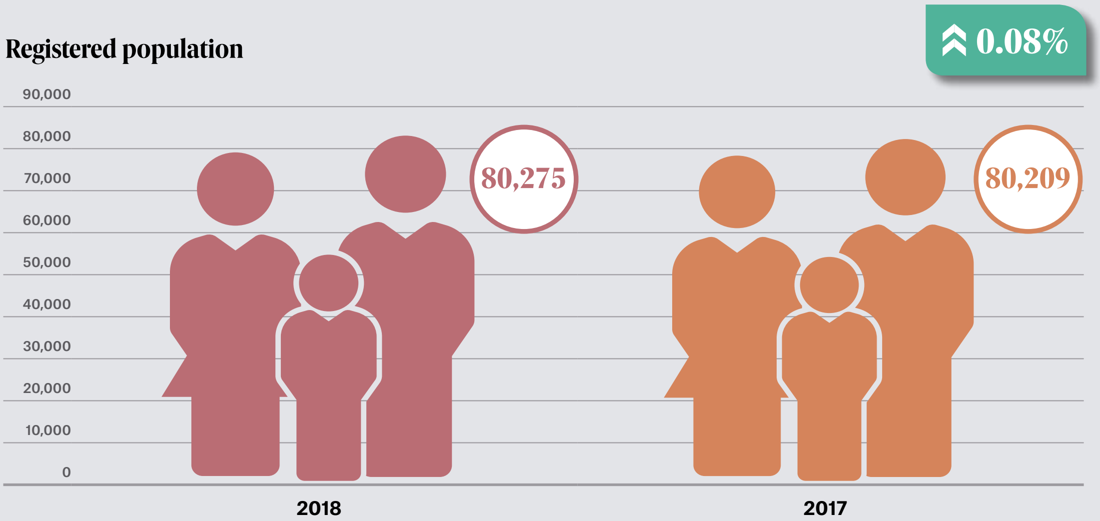


Source: Department of Statistics of the Andorran Government

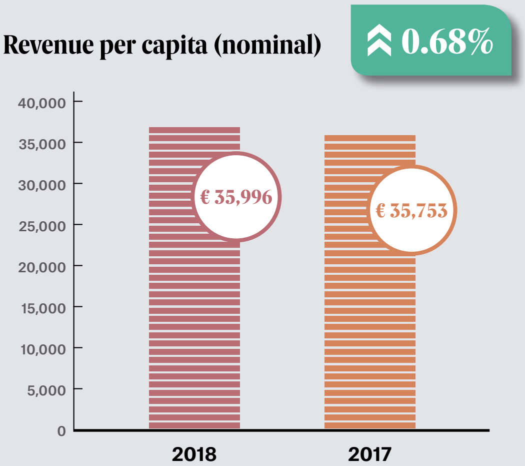
6.2. Country

Relevant economic data

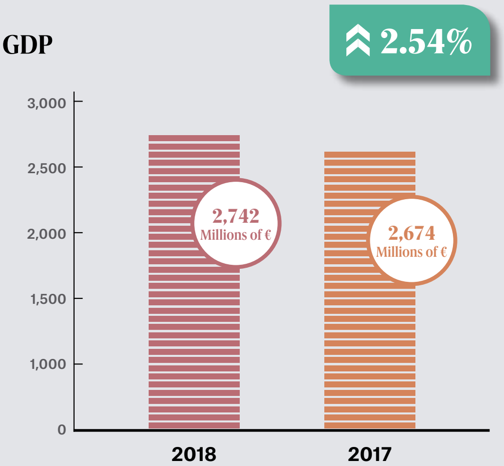
Registered population



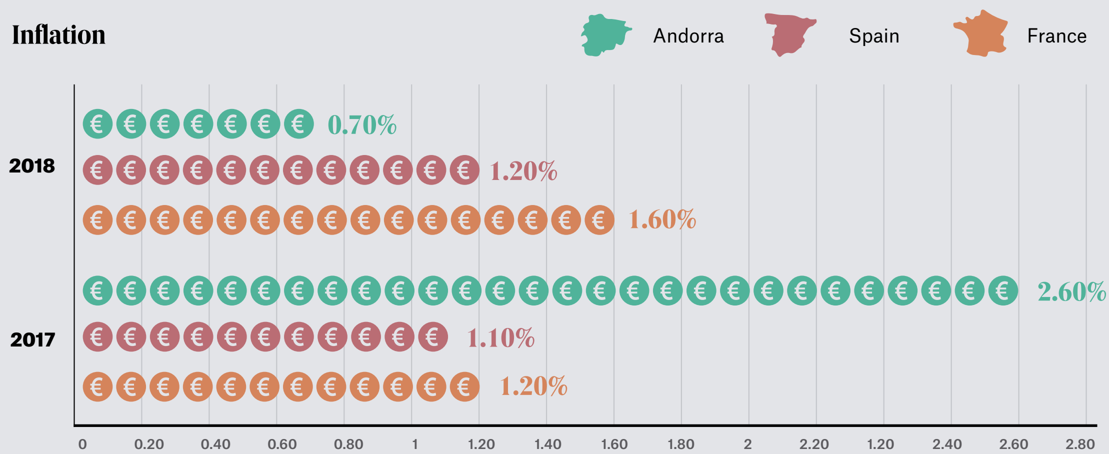
Revenue per capita (nominal)



GDP



Inflation



6 Key figures

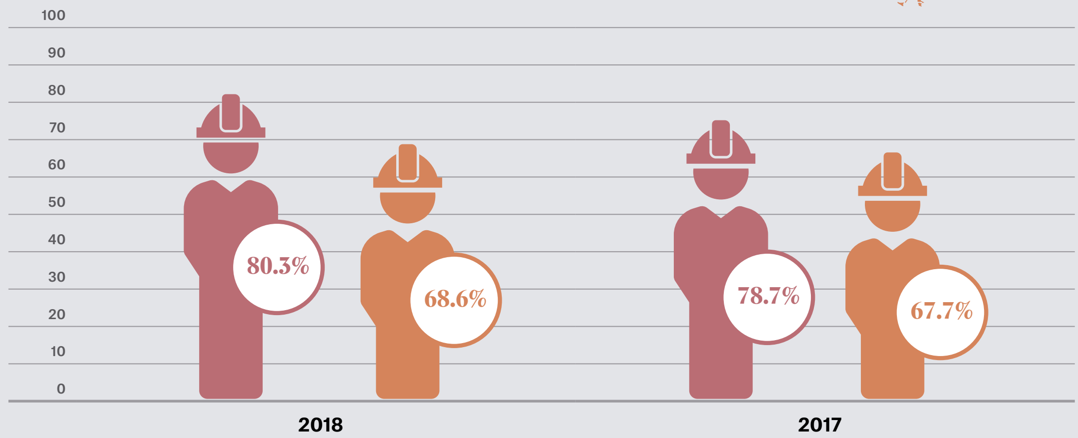
Source: Department of Statistics of the Andorran Government

Jobs

⮝ 2.69%

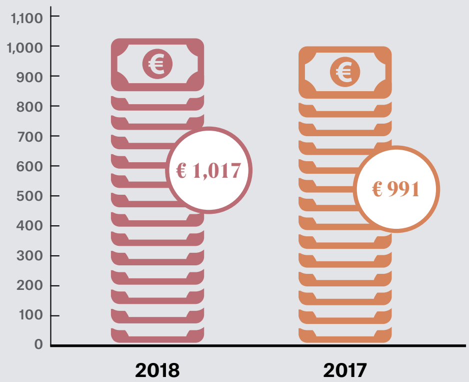
Employment rate

Andorra
European Union



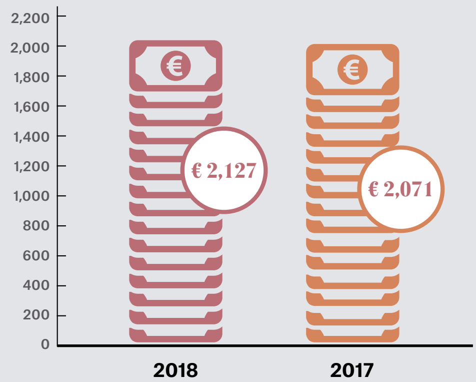
Minimum wage

⮝ 2.62%



Average wage

⮝ 2.70%

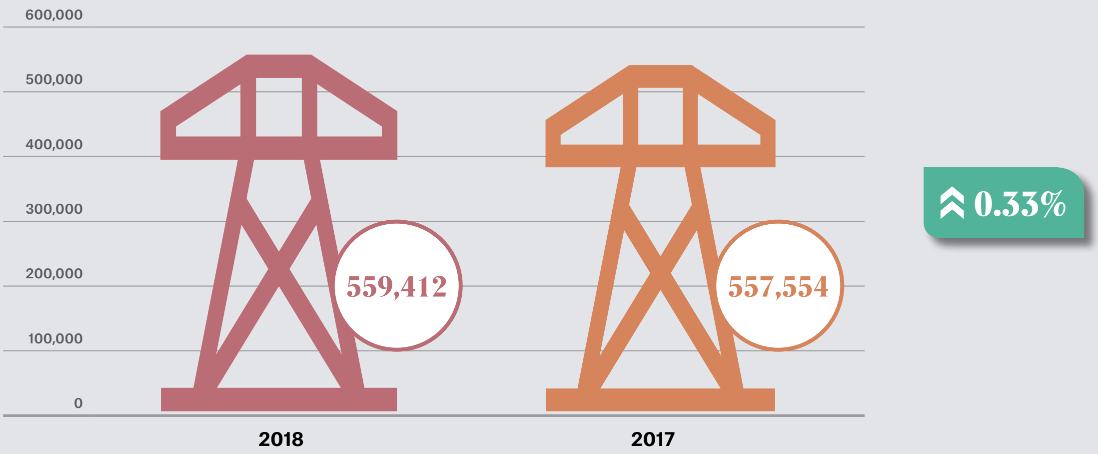


6 Key figures

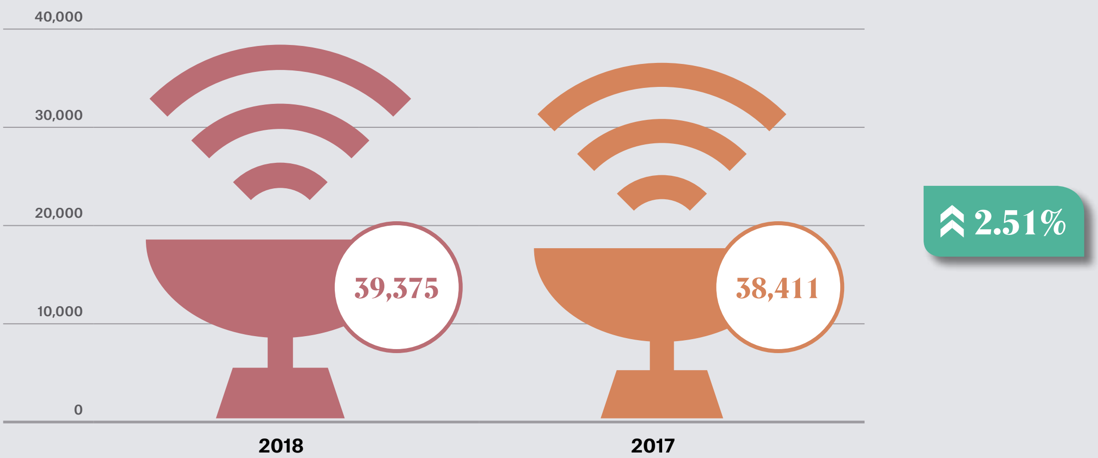
Source: Department of Statistics of the Andorran Government

Relevant economic data

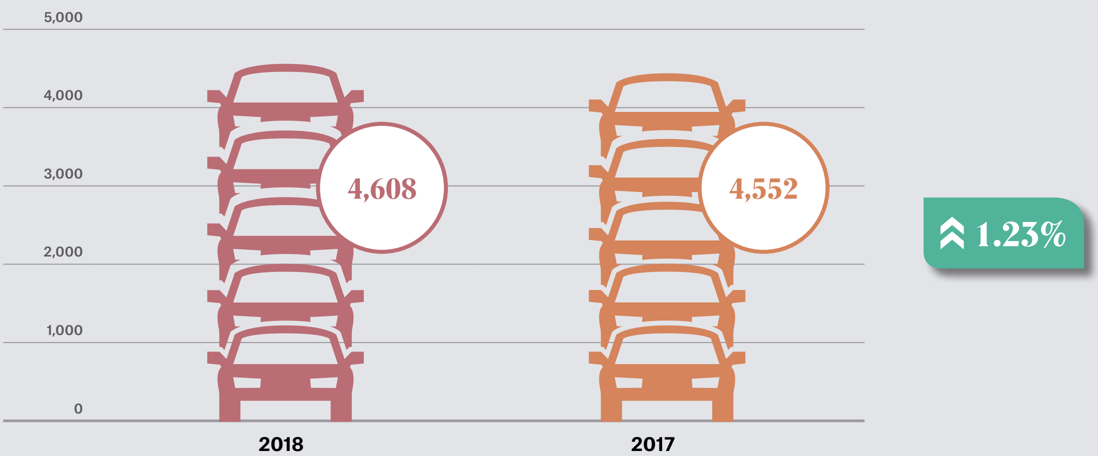
Energy consumption (MW/ hour)



Telecommunications (Line charges)



Car registrations

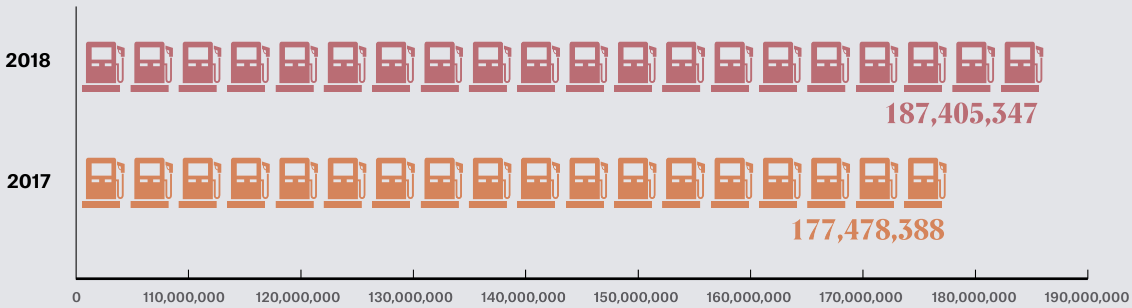


6 Key figures

Source: Department of Statistics of the Andorran Government

Petrol imports (Litres)

5.59%



Imports (Million €)

4.67%

Exports (Million €)

5.67%

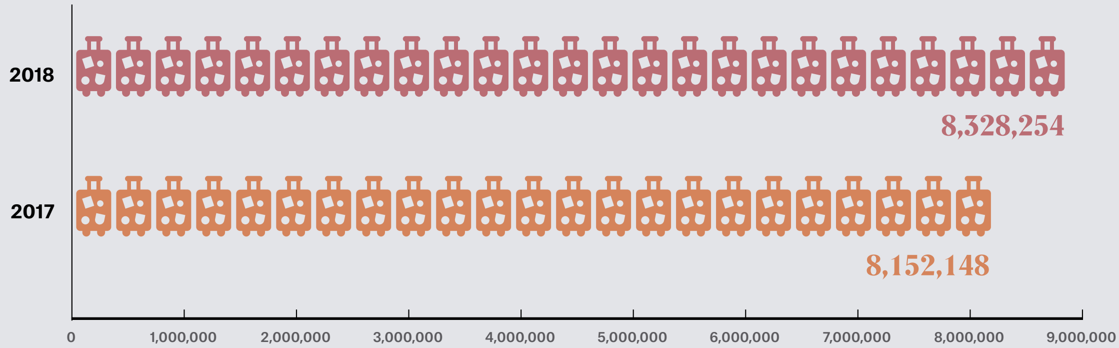
6 Key figures

Source: Department of Statistics of the Andorran Government

Relevant economic data

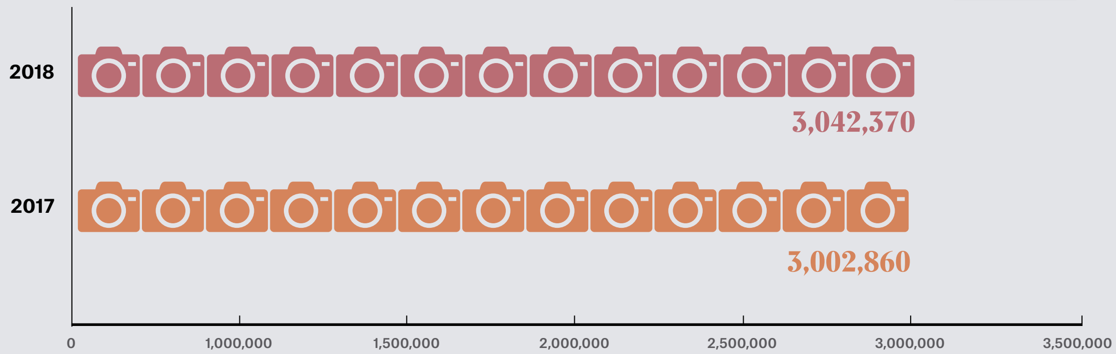
Number of visitors

2.16%



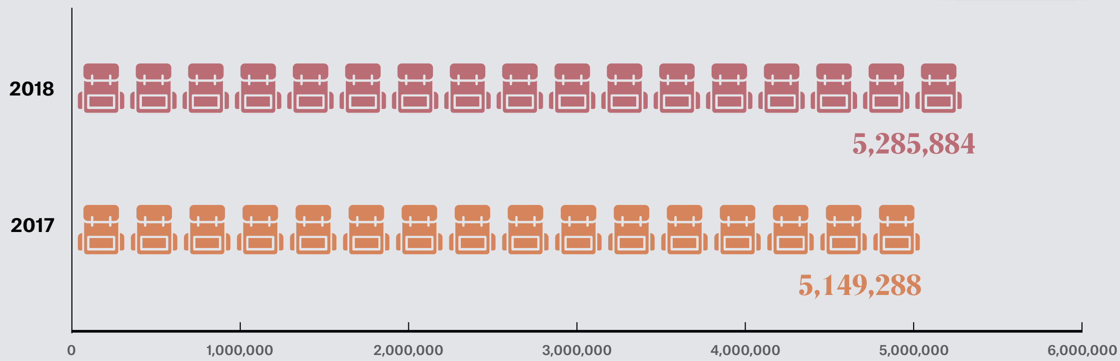
Tourists

1.32%



Hikers

2.65%



Source: Department of Statistics of the Andorran Government

Country rating

	2017	2018	2019
Standard & Poor's			
Long term	BBB	BBB	BBB
Short term	A-2	A-2	A-2
Outlook	Stable	Stable	Stable
Fitch Ratings			
Long term	BBB	BBB	BBB+
Short term	F3	F3	F2
Outlook	Positive	Positive	Stable

7 Information on relevant topics

7.1. New law on solvency, liquidity and prudential supervision

2018 has been a busy year for the Andorran financial sector due, among other reasons, to the intensive work involved in the transposition of the standards contained in the so-called "CRD IV package", which is made up, firstly, of Directive 2013/36/EU and EU Regulation No. 575/2013 and, secondly, of decrees transposing the delegated and implementing acts of the European Commission and of technical communications from the Andorran supervisor, the Andorran Financial Authority (AFA).

This transposition exercise complies with Andorra's commitment to introduce the directives and regulations provided for in the annex to the Monetary Agreement, signed between the Principality of Andorra and the European Union in 2011, into its legal system.

The transposition of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activities of credit institutions and the prudential supervision of credit institutions and investment firms has required substantial changes to the regulations in force in Andorra in this area. These amendments have been reflected in the new **Law 35/2018, of 20 December, on the solvency, liquidity and prudential supervision of credit institutions and investment firms,** which entered into force on 24 January 2019, and the related Regulation known as "CRR", published in the Official Gazette of the Principality of Andorra on 13 March 2019, relating to the adoption of EU technical standards applicable to the solvency, liquidity and prudential supervision of credit institutions and investment firms.

The aim of this law is to increase the resilience of Andorra's banking and financial sector, so that it is in a better position to deal with economic crises, and also to ensure that credit institutions continue to finance business activity and economic growth with adequate equity. From the point of view of liquidity and financing, the law aims to ensure that institutions have sufficient liquidity cushions to face potential tensions in the markets, as well as a balance sheet structure that does not overly rely on short-term financing.

The law is not limited to the continuous monitoring of the creditworthiness and risk management of institutions, but also regulates supervisory rules, access to the business of credit institutions, suitability requirements for senior management and qualifying shareholders, as well as requirements for increased corporate governance.

7.2. Law 17/2019 amending Law 8/2013 on organisational requirements and operating conditions for institutions operating in the financial sector, investor protection, market abuse and financial collateral agreements.

The financial sector is one of the main pillars of the Andorran economy and is deeply interconnected with the international financial industry through its presence in other markets outside the Principality, as well as in the European Union. It is therefore important that the Andorran legal framework meets the highest international standards in terms of financial regulation.

In this regard, as provided for in the annex to the Monetary Agreement, Andorra has undertaken to introduce a number of EU directives into its legal system, including Directive 2004/39/EC of the European Parliament and of the Council, of 21 April 2004, on the markets in financial instruments and Directive 2006/73/EC implementing Directive 2004/39/EC as regards organisational requirements and operating conditions for investment firms and Commission Regulation 2006/1287 implementing Directive 2004/39/EC as regards recordkeeping obligations for investment firms, transaction reporting, market transparency and admission of financial instruments to trading. All of these regulations are included in the standard regulatory package known as MiFID I.

The former Law 8/2013 had already transposed most of the above-mentioned directives, so that these had already been partially introduced into the Andorran legal system. However, Law 8/2013 should be amended so as to comply with all these directives and their implementing rules.

On 15 February 2019, **Law 17/2019 was approved, which amends Law 8/2013, of 9 May, on organisational requirements and operating conditions for institutions operating in the financial system, investor protection, market abuse and financial collateral agreements**.

The amendments introduced mark a step forward compared to the previous regime and constitute an improvement in the protection of markets and clients of investment services. Also, a number of improvements have been made in relation to the classification of clients, client information requirements, incentives, suitability and appropriateness assessments, order management and execution, conflicts of interest, client asset protection, recordkeeping and markets.

7.3. 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

7 Information on relevant topics

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. Law 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.

Under the EU Agreement, and according to the time frames specified in the international standard, **Andorra carried out the first exchange of data in September 2018, using data from 2017**. The first automatic exchange of tax information takes place with 41 countries, including EU member states.

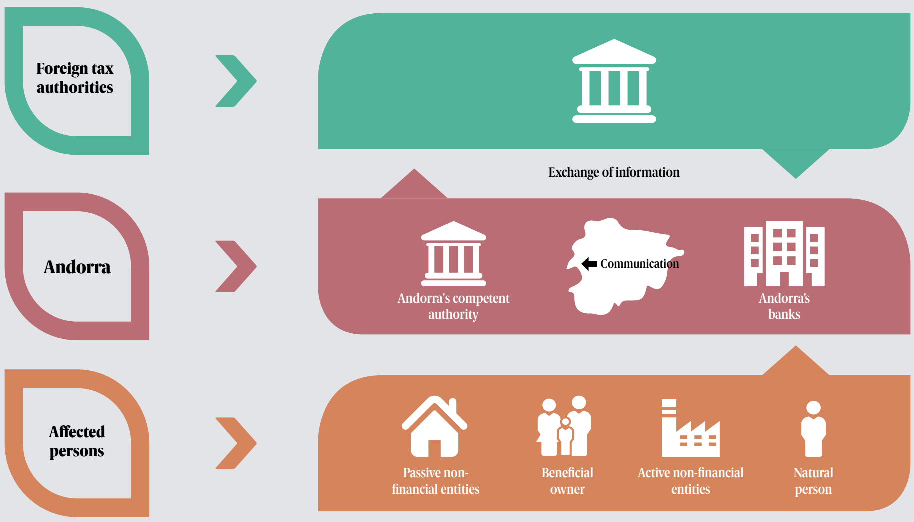
This means that the information relating to foreign taxpayers who hold an account in Andorra will be disclosed by Andorran banks and certain collective investment undertakings and insurance companies to the tax authority of the relevant country.

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.

Throughout 2017 and 2018, the IAI Law has been amended to expand the jurisdictions with which Andorra will exchange tax information. Andorra will exchange information with 73 jurisdictions by 2019 and with 95 jurisdictions by 2020.

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.



7.4. Prevention of money laundering and terrorist financing

Under the Monetary Agreement, Andorra has transposed 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 regulation 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.

Law 14/2017 transposing the 4th Directive was approved by the General Council of Andorra in its session of 22 June 2017 and entered into force on 20 July 2017.

7.5. 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.

Of the 28 jurisdictions assessed by Moneyval, Andorra was the 6th to be subjected to the 5th assessment.

Andorra received a visit from evaluators 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 highlighted and took 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 emphasised 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 noted, 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 urged 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.

7 Information on relevant topics

At the plenary session held in Strasbourg on 6 December 2018, Moneyval approved the first follow-up report of the 5th evaluation of Andorra.

Overall, the report reflects the significant progress made by Andorra in addressing the technical shortcomings identified in the last evaluation. Once again, Andorra was rated higher on 12 recommendations.

Moneyval did not detect any shortcomings in the implementation of 10 recommendations, including national cooperation and coordination, reporting of suspicious transactions, disclosure and confidentiality, and transportation of cash. 24 recommendations were rated as *Largely Compliant* and the other 6 as *Partially Compliant*.

7.6. Regulation on beneficial owners

Law 14/2017, of 22 June, on the prevention and fight against the laundering of money or securities and the financing of terrorism provides for the obligation of companies, associations and foundations, whether incorporated or registered in Andorra, to obtain information on beneficial owners and keep it in an accurate and up-to-date manner. This obligation has been further developed by the **regulation governing the recording of, and access to, information relating to beneficial owners in the records of legal entities**, approved on 5 September 2018 by the Government of Andorra.

This regulation sets out the procedures for providing the Registry of Commercial Companies, the Registry of Associations and the Registry of Foundations with information relating to beneficial owners, and provides that this information must be kept up to date in the relevant register. It also details the procedure for granting access to this information to taxpayers and to the individuals and organisations that show a legitimate interest.

In accordance with this regulation, companies, associations and foundations had until 31 December 2018 to disclose information on their beneficial owners.

7.7. 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 had changed its legislation by amending the current Criminal Code and by introducing a tax offence by way of a bill amending the Criminal Code Law 9/2005 of 21 February.

Law 5/2017, 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.

7.8. Ethical code

On 13 January 2017, the General Assembly of the Andorran Banking Association agreed to update its Ethical Code, which dated 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**.

7.9. Means of payment

Under the Monetary Agreement, Andorra has undertaken to introduce Directive 2007/64/EC of the European Parliament and of the Council on payment services in the internal market into its legal system. The Monetary Agreement also includes Directive 2009/110/EC of the European Parliament and of the Council on the taking up, pursuit and prudential supervision of the business of electronic money institutions.

These directives were transposed through the approval of **Law 8/2018, of 17 May, on payment services and electronic money**, in order to include payment institutions and electronic money institutions as new institutions operating in the Andorran financial system, with their own legal regime, and to regulate the rights and obligations of both providers and users in relation to the provision and use of payment services and the issuance of electronic money (PSD1).

The technological innovations seen in the last few years, and the need to create a safer and more reliable environment for the development of payment services, have resulted in the emergence of a new European legal framework. The new Directive 2015/2366 of the European Parliament and of the Council, of 25 December 2015, on payment services in the internal market repeals the previous Directive 2007/64/EC and also amends Directive 2009/110/EC.

The main purpose of the changes introduced by the new directive is to facilitate and improve security in the use of payment systems via the Internet and to strengthen the level of protection of users against potential fraud and abuse, as well as to promote innovation in payment services and to implement a regime that better protects users' rights in terms of security and transparency. The directive also covers the provision of two new payment services that were not previously foreseen, i.e. payment initiation services and account information services.

All of these changes have been introduced into Andorra's legal system by means of an amendment to Law 8/2018, of 17 May. The **consolidated text of the Law on payment services and electronic money was published on 13 February 2019**.

The Regulation relating to the legal regime of payment services and electronic money and of payment institutions and electronic money institutions was approved on 21 November 2018 (PSD2).

7.10. SEPA (*Single Euro Payments Area*)

The Single Euro Payments Area (SEPA) was created within the European Community 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 technical distinctions are made between domestic and international payments, all of which are processed with the same ease, speed, security and efficiency.

Three instruments fall within its most immediate scope: transfers, Direct Debits and instant transfers.

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

In 2018 the Government initiated relevant contacts with the *European Payment Council* (EPC), the decision-making and coordinating body of the European banking industry in connection with payment systems, which promotes integration into European payment systems, mainly SEPA.

7 Information on relevant topics

At the same time, credit institutions were already preparing the technical implementation of the schemes to apply for SEPA membership once the Principality of Andorra was accepted as a member of the SEPA geographical area.

On 5 March 2019, the five credit institutions of the Principality of Andorra, Andbank, MoraBanc, Crèdit Andorrà, BancSabadell d'Andorra and Vall Banc, adhered to SEPA following accession by Andorra on 1 March.

From that moment onwards, Andorran banks were able to send and receive transfers under SEPA schemes (*SEPA Credit Transfer* - SCT). Andorra's credit institutions will progressively adhere to the remaining SEPA schemes, such as *SEPA Direct Debit* - SDD, which they will join from 1 January 2020 in accordance with the provisions of Andorran legislation, and *SEPA Instant Credit Transfer* - SCT Inst.

With the inclusion of Andorra, the geographical scope of SEPA schemes now extends to 36 countries; the 28 Member States of the European Union, Iceland, Norway, Liechtenstein, Switzerland, Monaco, San Marino, Vatican City and the Principality of Andorra.

7.11. 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 Law 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.

The new legal framework entrusts the regulatory and supervisory function to the Andorran Financial Authority, which took over this task in January 2018.

7.12. 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 world- wide 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.

7 Information on relevant topics

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.

On 15 November 2018, the OECD Forum on Pernicious Tax Practices (FHTP) approved these changes by reaching favourable conclusions on Andorra's special tax regimes and determining that these are no longer potentially harmful.

The European Union took into account the findings of the FHTP in updating its list of countries considered as non-cooperative in taxation matters. Accordingly, on 5 December 2018, the EU published the exclusion of Andorra from the grey list of non-cooperative countries in taxation matters.

At the same time, on 19 October 2018, Andorra adhered to the OECD multilateral agreement that allows for the exchange of information on a country-by-country basis with all the competent authorities signatory to the agreement (reciprocal jurisdictions). This agreement is part of the commitments made to international standards and to the implementation of OECD-led reforms in relation to BEPS.

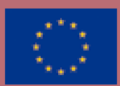
8

Legislation
Andorra's regulatory framework

Tax framework

- International regulations, standards and recommendations
- International Agreements
- Andorran regulations
- Bills debated in Parliament

Customs Union Agreement 1990



This modifies the structure of taxes on consumption and introduces general indirect taxation.

Monetary Agreement 2011

Streamlining the tax system to match that of other countries and achieve a fairer distribution of tax charges.

State-wide tax framework

Consolidated text of 7 February 2018 of the Law 21/2014, of 16 October, governing the taxation system.

TAXES CURRENTLY IN FORCE

Taxes	
Corporate 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 **on the taxation of business reorganisations** 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.

8 Legislation

Tax framework

International regulations, standards and recommendations — International Agreements — Andorran regulations — Bills debated in Parliament

Agreement for the exchange of information in tax matters in accordance with OECD standards.

Paris Declaration

10 March 2009.

Law 3/2009 on the exchange of information in tax matters upon request as amended by Law 12/2014.

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.

Effective from 1 January 2017.

The OECD creates the BEPS project (to combat tax base erosion and profit shifting)

2013.

The OECD creates a working group to promote an inclusive framework for the implementation of the BEPS package of measures through the development of international standards.

2015.

Andorra joins the BEPS inclusive framework.

14 October 2016.

OECD Forum on harmful tax practices (FHTP).

European Union.

Andorra is excluded from the list of non-cooperative countries in taxation matters.

5 December 2018.

OECD.

Andorra adheres to the OECD multilateral agreement that allows for the exchange of information on a country-by-country basis.

19 October 2018.

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.

Law 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 8 countries.

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.

Endorses the changes in Andorra's tax regimes, which stop being potentially harmful.

15 November 2018.

8 Legislation

Financial framework

International regulations, standards and recommendations | International Agreements | Andorran regulations | Bills debated in Parliament

Law 8/2013, of 9 May, on the organisational requirements and operating conditions of entities operating in the financial sector, investor protection, market abuse and financial collateral agreements.

IMF Report Recommendations: Andorra: *Assessment of the Supervision and Regulation of the Financial Sector.*
August 2002.

Law 12/2018, of 31 May, amending Law 10/2013, of 23 May 2013, on the Andorran National Institute of Finance.
31 May 2018.
Law amended by Law 17/2019 amending Law 8/2013.

IMF Report Recommendations: Andorra: *Assessment of Financial Sector Supervision and Regulation.*
February 2007.

Consolidated text of 12 February 2014 of Law 10/2008 regulating collective investment undertakings under Andorran law.

Directive 85/611/EC on certain undertakings for collective investment in transferable securities (UCITS) and subsequent amendments.
20 December 1985.

Directives 2004/39/EC on the markets in financial instruments and Directive 2006/73/EC on organisational requirements and operating conditions for investment firms, and defined terms (MiFID).
21 April 2004 and 10 August 2006.

Directive 94/19/EC on deposit-guarantee schemes and subsequent amendments.
30 May 1994.

Law 12/2018, of 31 May, amending Law 10/2013, of 23 May 2013, on the Andorran National Institute of Finance.
31 May 2018.
Law amended by Law 17/2019 amending Law 8/2013.

Directive 97/9/EC on investor-compensation schemes and subsequent amendments.
3 March 1997.

Directive 2014/49/EU establishing the framework for the recovery and resolution of credit institutions and investment firms.
15 May 2014.

Law 8/2015 on urgent measures for introducing mechanisms for the recovery and resolution of banking institutions.
26 April 2015.

Directive 2007/64/EC on payment services in the internal market of 13 November 2007, repealed by Directive 2015/2366 on payment services in the internal market.
25 December 2015.

Consolidated text of the Law on payment services and electronic money.
6 February 2019.

Directive 2013/26/EU on access to the activities of credit institutions and the prudential supervision of credit institutions and investment firms.
26 June 2013.

Law 35/2018 on the solvency, liquidity and prudential supervision of credit institutions and investment firms.
20 December 2018.

Directive 2002/87/EU on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate.
26 June 2013.

Law 36/2018 on financial conglomerates.
20 December 2018.

IOSCO
Directive 2002/47/CE on financial collateral arrangements.
6 June 2002.

Signing of the multilateral memorandum of understanding of the International Organization of Securities Commissions (IOSCO).
17 September 2013.

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

Law 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 Law 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 text of Law 35/2010, of 3 June, on the authorisation regime for the creation of new institutions operating in the Andorran financial system, 12 February 2014.

Framework for the prevention of money laundering

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.
December 2018: follow-up report to 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.

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 Law 9/2005 of 21 February.

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

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

24 July 2014.

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.

Regulation governing the recording of, and access to, information on the beneficial owners of legal entities.

5 September 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. Andorran credit institutions operate in international markets in accordance with applicable standards and best practices.

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

THE FINANCIAL SECTOR AND THE INSURANCE INDUSTRY ACCOUNT FOR 20% OF GDP

This sector, which relies on highly qualified staff and 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 Andorran Financial Authority (AFA) and the Financial Intelligence Unit (UIFAND), as an independent body that promotes and coordinates measures to fight money laundering and the financing of terrorism.

Change of business model

Over the last decade Andorra's financial system has faced constant regulatory changes in international legislation, including the implementation of regulations in matters of tax transparency, measures for international criminal cooperation and the fight against money laundering and the financing of terrorism, as well as banking regulation.

The Andorran banking sector is facing the final part of its transformation process to define a business model adapted to the changes that have occurred in the marketplace and the business environment. The trend in the industry has been to prioritise technological investment, especially in digital transformation projects to better serve our clients, which attracted 30 million euros worth of investment in 2018, and to focus on upgrading the equipment and processes to implement in record time the regulatory revolution that European banks have also faced.

In 2018 Andorra made progress towards full certification with the approval of *Law 35/2018 on the solvency, liquidity and prudential supervision of credit institutions and investment firms*. This prudential regulation aims to ensure that credit institutions operate with sufficient equity to assume the risks associated with financial activities. The CET 1 (phase-in) solvency ratio —calculated on a comparative basis— was 16.30% on 31 December 2018, above the average of European banks (which was 14.34% according to ECB data for the 4th quarter of 2018).

THE BANKING SECTOR ENJOYS EXCELLENT SOLVENCY AND LIQUIDITY RATIOS

Confidence in the Andorran banking industry was further strengthened by Moneyval's 2018

Providing added value services

Strong internationalisation

Sustainability and profitability

report, which highlights the efforts made by Andorra in terms of the prevention of money laundering and its recognition as a cooperating country according to the ECOFIN.

The Andorran banking sector ended 2018 by consolidating its position with a total of €44.9bn of managed resources, a figure that has remained stable over the past three years, but which has almost doubled in the last decade.

The Andorran banking industry has achieved profits of 100 million euros despite an economic environment of low interest rates, falling share prices in the last year, and heavy investments in technology and compliance with new regulations. Andorra's banking sector remains sound and solid, with outstanding creditworthiness, a financial return (ROE) of 7.31% above the European average, and a strong capacity to extend credit to society despite the expected decline in profits due to the global banking environment.

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.

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 77% between 2008 and 2018 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.

Appendix

CONSOLIDATED AGGREGATE BALANCE SHEETS OF ANDORRAN BANKS

Assets

	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Cash, cash at central banks and other sight deposits	2,021,332	14.47%	1,907,004	13.49%	6.00%
Financial assets held for trading	339,723	2.43%	574,420	4.06%	(40.86%)
Financial assets not held for trading that must be valued at fair value with changes in income	607,693	4.35%	579,551	4.10%	4.86%
Financial assets at fair value with changes in the income statement	68,452	0.49%	69,242	0.49%	(1.14%)
Financial assets at fair value with changes in the other comprehensive income	1,565,745	11.21%	1,171,088	8.28%	33.70%
Financial assets at amortised cost	8,101,214	57.99%	8,517,792	60.25%	(4.89%)
Derivatives - Hedge accounting	191	-	843	0.01%	(77.34%)
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	26,170	0.19%	29,486	0.21%	(11.25%)
Investments in jointly-controlled businesses and associates	40,042	0.29%	33,569	0.24%	19.28%
Assets covered under insurance and reinsurance contracts	46,618	0.33%	49,935	0.35%	(6.64%)
Tangible assets	342,123	2.45%	328,714	2.32%	4.08%
Intangible assets	430,083	3.08%	384,423	2.72%	11.88%
Tax assets	69,056	0.49%	65,462	0.46%	5.49%
Other assets	155,611	1.11%	163,031	1.15%	(4.55%)
Disposable non-current assets held for sale	155,801	1.12%	264,002	1.87%	(40.98%)
TOTAL ASSETS	**13,969,852**	**100.00%**	**14,138,562**	**100.00%**	**(1.19%)**

Liabilities

	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Financial liabilities held for trading	109,012	0.78%	80,177	0.57%	35.96%
Financial liabilities at fair value with changes in the income statement	468,777	3.36%	568,770	4.02%	(17.58%)
Financial liabilities at amortised cost	11,335,673	81.14%	11,288,611	79.84%	0.42%
Derivatives - Hedge accounting	49,300	0.35%	48,429	0.34%	1.80%
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	782	0.01%	779	0.01%	0.39%
Liabilities covered under insurance and reinsurance contracts	358,972	2.57%	351,595	2.49%	2.10%
Provisions	76,874	0.55%	120,856	0.85%	(36.39%)
Tax liabilities	28,501	0.20%	36,970	0.26%	(22.91%)
Other liabilities	180,736	1.29%	177,113	1.25%	2.05%
Liabilities in groups of disposable items held for sale	352	-	86,675	0.61%	(99.59%)
TOTAL LIABILITIES	**12,608,980**	**90.26%**	**12,759,975**	**90.25%**	**(1.18%)**

Net Equity

	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Capital	244,780	1.75%	244,780	1.73%	-
Issue premium	73,441	0.53%	73,441	0.52%	-
Issued equity Instruments other than capital	35,000	0.25%	35,000	0.25%	-
Revaluation reserves	566,861	4.06%	537,135	3.80%	5.53%
Revaluation reserves	2,933	0.02%	4,230	0.03%	(30.66%)
Other reserves	339,808	2.43%	353,171	2.50%	(3.78%)
Own shares (-)	(2,746)	(0.02%)	(2,387)	(0.02%)	15.04%
Result attributed to majority shareholder	99,559	0.71%	131,256	0.93%	(24.15%)
Interim dividend (-)	-	-	(12,925)	(0.09%)	-
Shareholders' equity	**1,359,636**	**9.73%**	**1,363,701**	**9.65%**	**(0.30%)**
Other cumulative results	**(9,961)**	**(0.07%)**	**5,534**	**0.04%**	**N/A**
Minority interests	**11,197**	**0.08%**	**9,352**	**0.07%**	**19.73%**
TOTAL NET EQUITY	**1,360,872**	**9.74%**	**1,378,587**	**9.75%**	**(1.29%)**
TOTAL LIABILITIES AND NET EQUITY	**13,969,852**	**100.00%**	**14,138,562**	**100.00%**	**(1.19%)**

* The figures for 2017 are given for comparative purposes only.

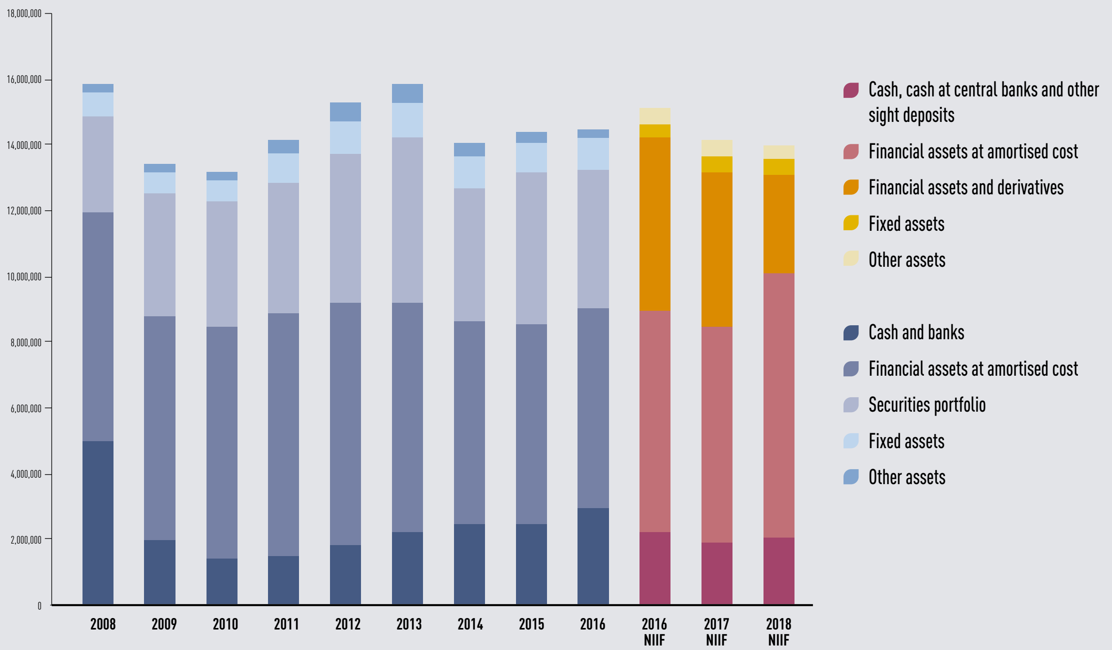
AGGREGATE ASSETS

The three major components of the aggregate assets of Andorran banks are “Financial assets at amortised cost”, which account for 57.99% of total assets and which include credit investment, among others, and “Financial assets at reasonable value with changes in the other comprehensive income”, which account for 11.21% of total assets. The third component is "Cash, Cash at Central Banks and Other Sight Deposits" which accounts for 14.47% of total assets and includes "Cash and central banks, OECD, INAF and Financial Intermediaries".

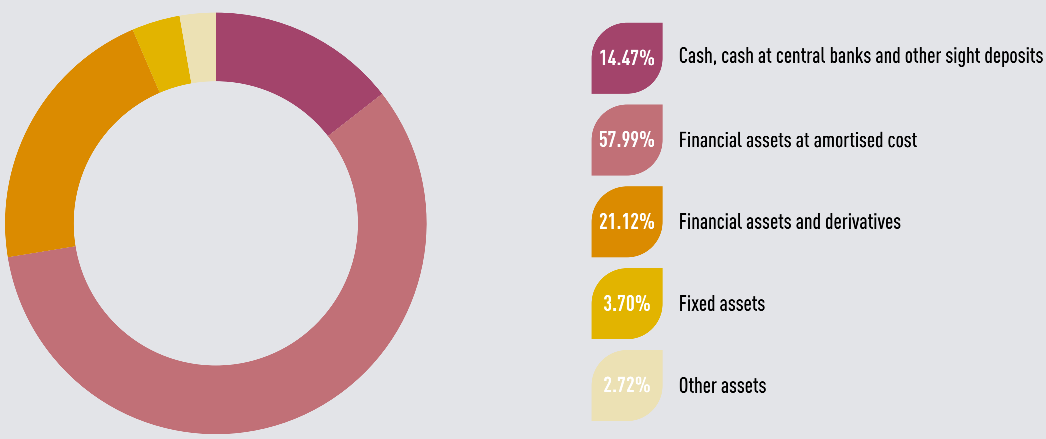
The structure of Andorran banks’ balance sheets reflects the type of business pursued, mainly private banking and asset management services. Retail banking activities are carried out in Andorra only.

Changes in aggregate assets 2008-2018

Thousand euros



Composition of aggregate assets 2018



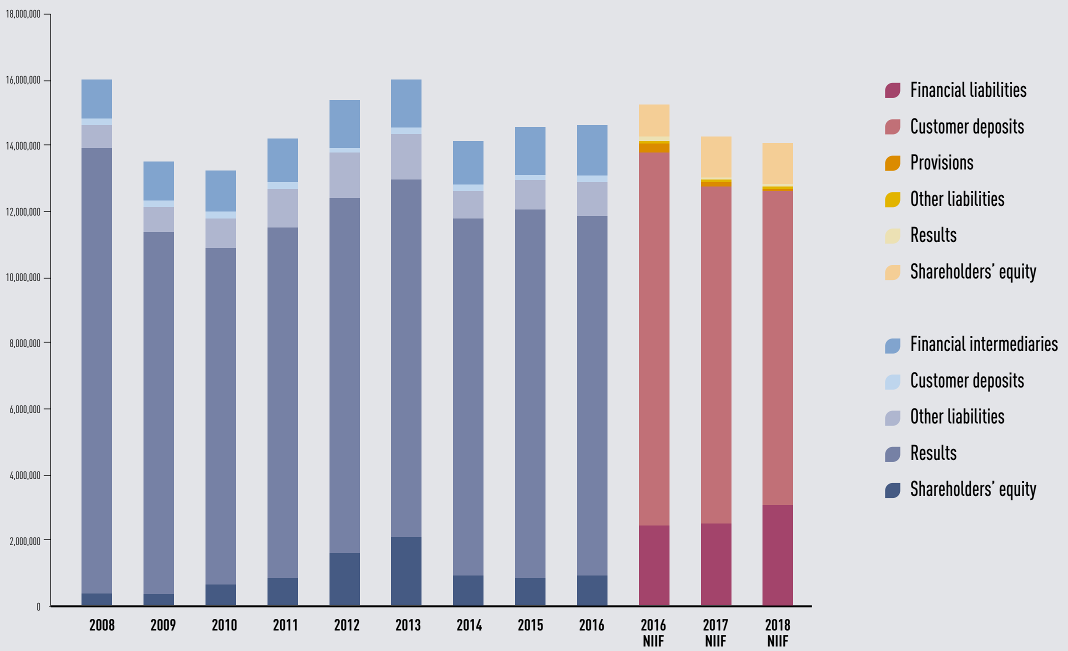
Appendix

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 decrease in the balance sheets for the financial year 2014 is due to the intervention and subsequent resolution of BPA, SA in 2015, and, therefore, the financial statements of BPA, SA at 31 December 2014 and thereafter are not available. The evolution of client deposits has been marked both by changes in interest rates and, as a result of the developments in global capital markets, by the change of business model and the expansion policy pursued by credit institutions.

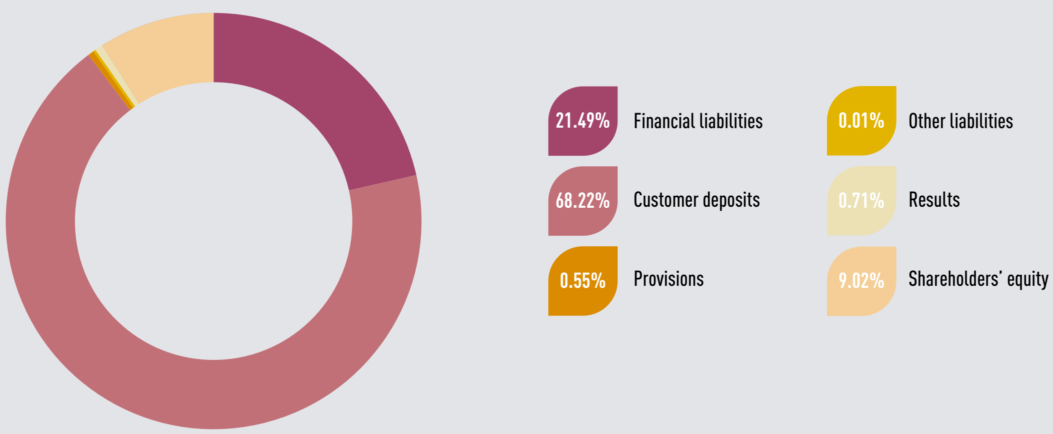
Changes in aggregate liabilities 2008-2018

Thousand euros



The composition of aggregate liabilities at the end of the financial year 2018 for Andorran banks was characterised by the significant relative weight of "Client deposits", which account for 68.22% of aggregate liabilities. As at 31 December 2018, total "client deposits" stood at 9,529 million euros, 6.22% less than the previous financial year, and were classified under the heading "Financial liabilities at amortised cost". "Shareholders' equity" accounts for 9.02% and "Results" for 0.71%.

Composition of aggregate liabilities 2018



GROSS CREDIT INVESTMENT

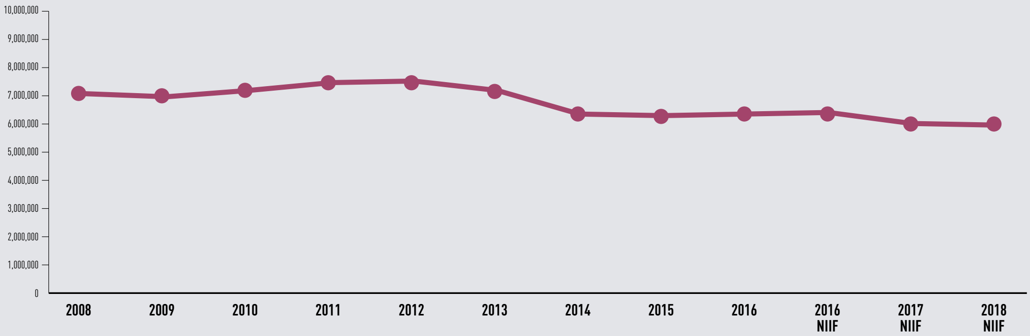
The evolution of gross credit investment has been marked mainly by the impact of the economic cycle and by an increased prudence in the granting of credit by financial institutions.

Despite this, Andorran banks show signs of economic growth due to increasing demand for credit investment. Banks injected 970 million euros (+27.90% more than the previous year) into the real economy, in the form of loans and credit to businesses and individuals, following the economic recovery and an increase in demand. Despite this, global credit investment amounted to €5.9bn, which was 1.20% less than the previous year due to the repayment of existing loans.

The total credit investment granted with real collateral stands at 77.24%. Of these, 16.70% are securities collateral, 53.40% are mortgage guarantees and 7.14% are cash collateral. The credit situation is "Normal" and "Overdue" in 71.52% and 19.88% of cases, respectively, and "Doubtful" in 8.60%. The default ratio as at 31 December 2018 was 6.19%, without taking account of Vall Banc's portfolio in run-off.

Changes in aggregate gross credit investment 2008-2018

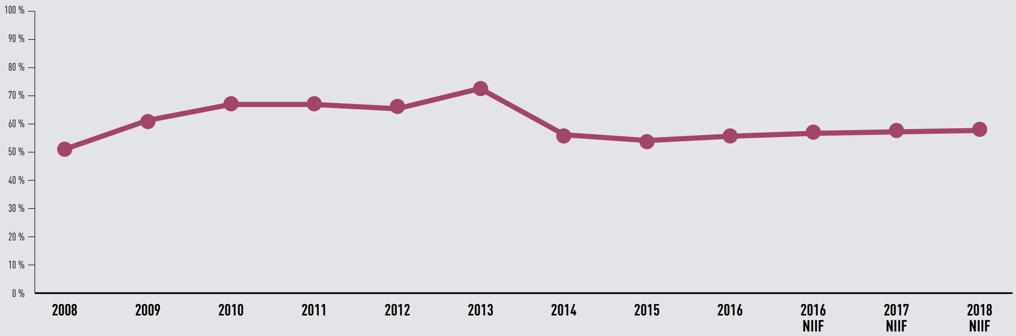
Thousand euros



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. It should be noted that the average rate for European banks is 118.66%, double that of Andorran banks, a sign of the liquidity available to Andorran banks.

Changes in the ratio of gross credit investment to aggregate customer liabilities 2008-2018



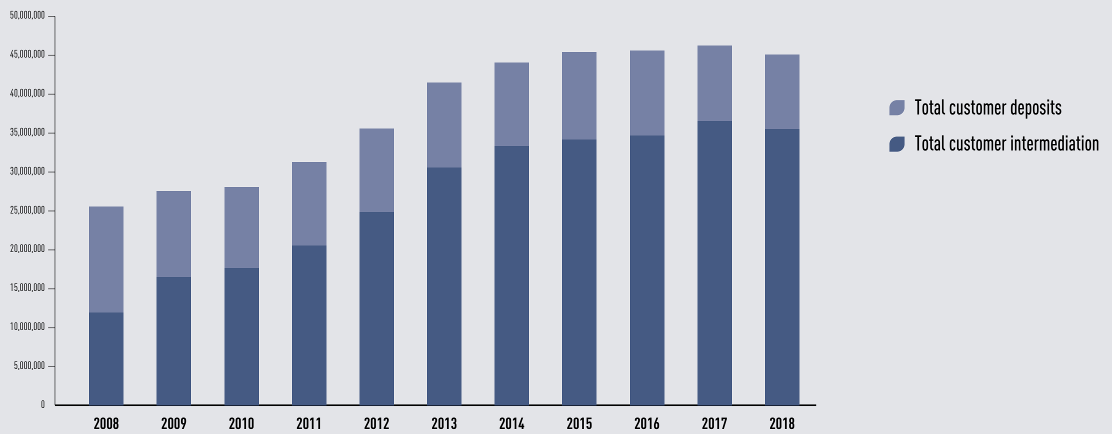
Appendix

AGGREGATE ASSETS UNDER MANAGEMENT

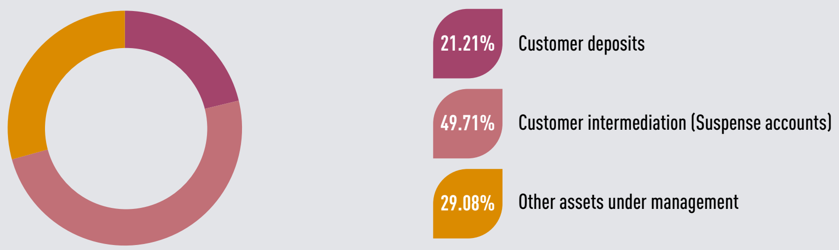
The total assets managed by Andorran banks are made up of customer deposits (on-balance-sheet) and intermediation services for custodies and non-custodied customers (off-balance-sheet). As at 31 December 2018, assets under management totalled 44.925 billion euros, 2.63 less than in 2017. Client deposits amounted to 9,529 million euros as at 31 December 2018, 6.22% less than the previous year, and off-balance sheet resources decreased by 1.62% as a result of the fall in financial market prices in the last quarter of 2018.

Changes in aggregate assets under management 2008-2018

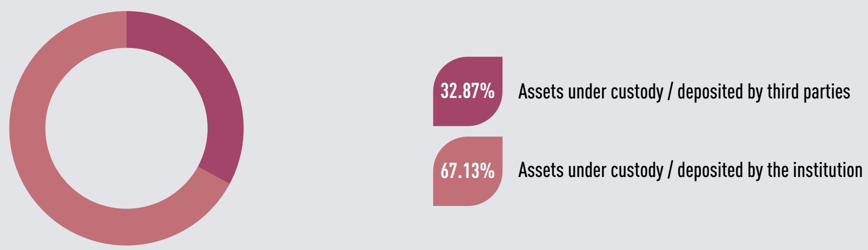
Thousand euros



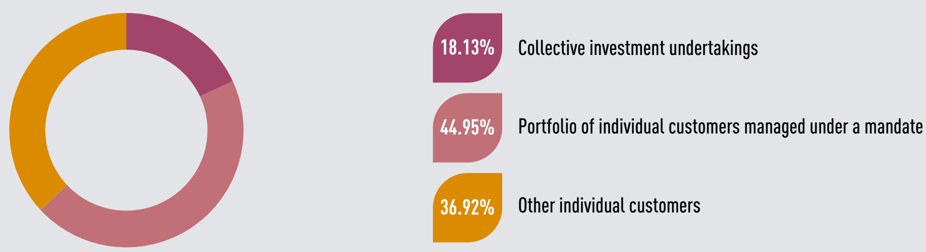
On- and off-balance-sheet assets under management 2018



Assets under management deposited by the institution or by third parties 2018



Assets under management by customer type 2018



Appendix

CONSOLIDATED AGGREGATE PROFIT AND LOSS ACCOUNTS OF ANDORRAN BANKS

(Thousand euros)	2018	2017*	Var. (%) 18-17
Interest income	179,175	170,350	5.18%
Interest expenses	(69,484)	(67,385)	3.11%
Dividend income	2,128	4,233	(49.73%)
Interest margin	**111,819**	**107,198**	**4.31%**
Commissions earned	383,136	448,722	(14.62%)
Commissions paid	(90,072)	(87,878)	2.50%
Base margin	**404,883**	**468,042**	**(13.49%)**
Gains or losses when writing off financial assets and liabilities not valued at fair value with changes in income (net)	14,885	10,467	42.21%
Results of enterprises carried using the equity method	(30)	(99)	(69.70%)
Results from financial transactions	64,697	68,402	(5.42%)
Results on assets and liabilities covered under insurance and reinsurance contracts	-	-	-
Other operating income	22,610	23,782	(4.93%)
Other operating expenses	(8,954)	(13,051)	(31.39%)
Other income and expenses from assets and liabilities used for insurance or reinsurance contracts	3,706	4,192	(11.59%)
Gross margin	**501,797**	**561,736**	**(10.67%)**
Administrative expenses	(378,720)	(384,592)	(1.53%)
Staff costs	(219,563)	(226,537)	(3.08%)
Other general administrative expenses	(159,157)	(158,055)	0.70%
Amortisation	(35,247)	(38,006)	(7.26%)
Provisions funded (net)	(1,717)	(11,416)	(84.96%)
Net impairment of financial assets not recognised at fair value with changes in profit and loss	17,670	9,096	94.26%
Net impairment of investments in jointly-controlled companies or associates	(15)	(1,056)	(98.58%)
Net impairment of non-financial assets	(589)	15	N/A
Negative goodwill recognised in income	2,651	-	-
Participation in gains or losses from investments in subsidiaries, joint ventures and associates	4,463	3,398	31.34%
Gains or losses from non-current assets and disposal groups classified as held for sale not admissible as discontinued operations	2,727	2,623	3.96%
Profit before tax	**113,019**	**141,797**	**(20.30%)**
Corporation Tax	(13,144)	(12,062)	8.97%
Results for the year from continuing operations	**99,875**	**129,735**	**(23.02%)**
Results from discontinued operations (net)	320	1,532	(79.11%)
FY RESULTS	**100,195**	**131,267**	**(23.67%)**
Attributed to majority shareholder	**99,559**	**131,256**	**(24.15%)**
Attributed to minority shareholders	**636**	**719**	**(11.54%)**

* The data for 2017 are given for comparative purposes only.

Appendix

As far as results are concerned, Andorran banks closed the year with an attributed net profit of 99.5 million euros, which represents a decrease of 24.15% over the previous year. These results were influenced by the negative interest rates, which put downward pressure on the financial margin, the fall in financial market prices during the last year, strong technological investments, and the growing costs derived from the adaptation to the new regulatory framework for the European banking sector (see the chart below that shows the changes in transformation expenses over the last 10 years). Andorran banks closed the previous year with an ROE (the return earned by the shareholders of the funds invested in the company) of 7.31%, which is above the ROE of the average for European banks, at 6.16% according to the EBA (*European Banking Association*).

The drop of 28.30% in aggregate own funds for the financial year 2016 under International Financial Reporting Standards (hereinafter IFRS) was caused by the impact of the first application of the new accounting standards with effect from 1 January 2017. The aggregate own funds for the financial years 2017 and 2018 have already been increased compared to the previous financial years.

The aggregate result for the sector amounts to

100

million euros

Andorran banks ended the year 2018 with a ROE of

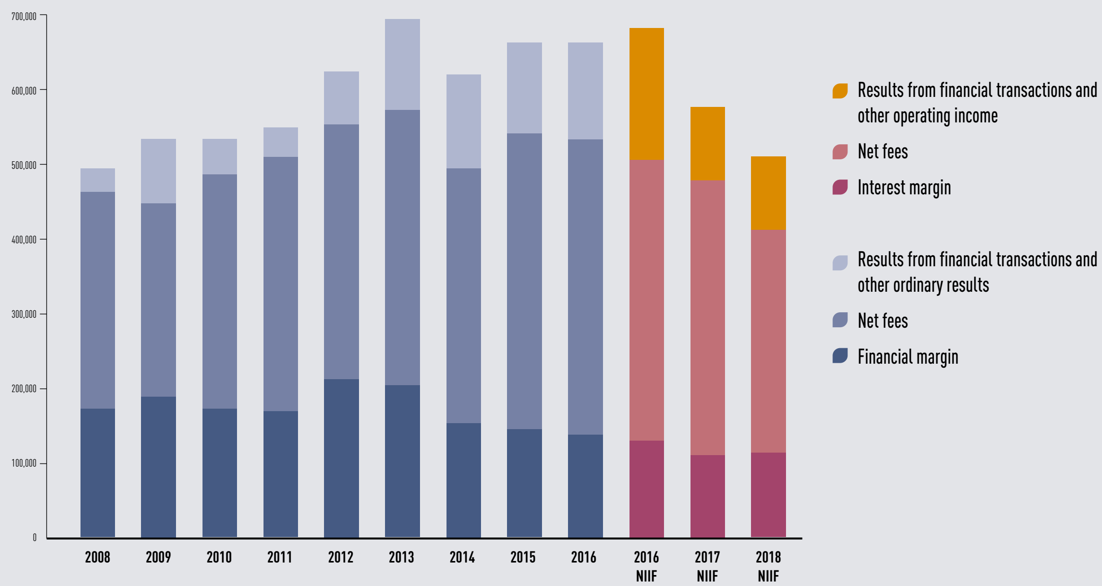
7.31%

above the European banks' average of 6.16% 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 2008-2018

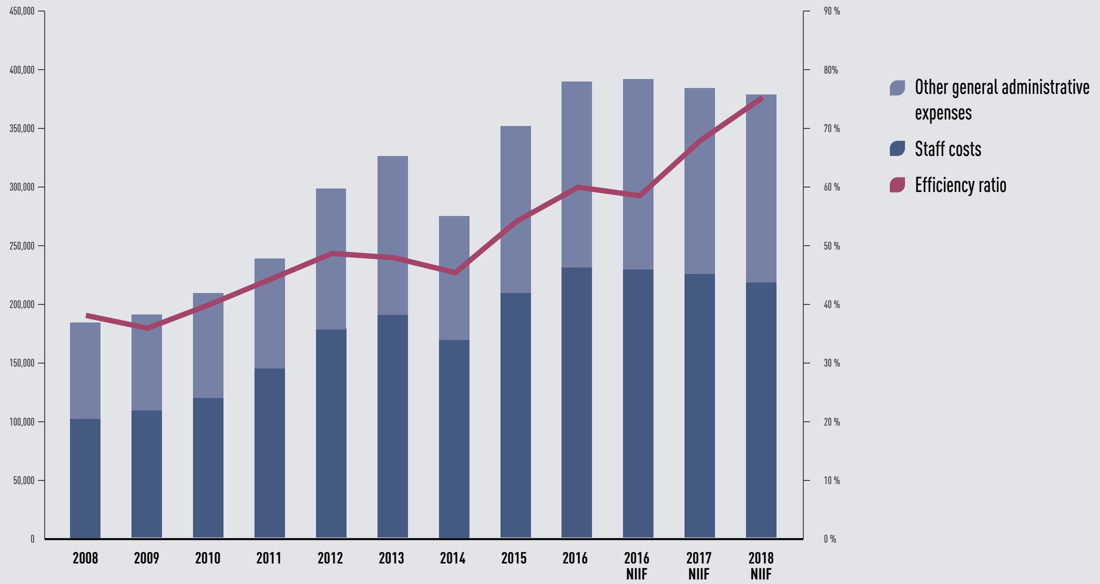
Thousand euros



Appendix

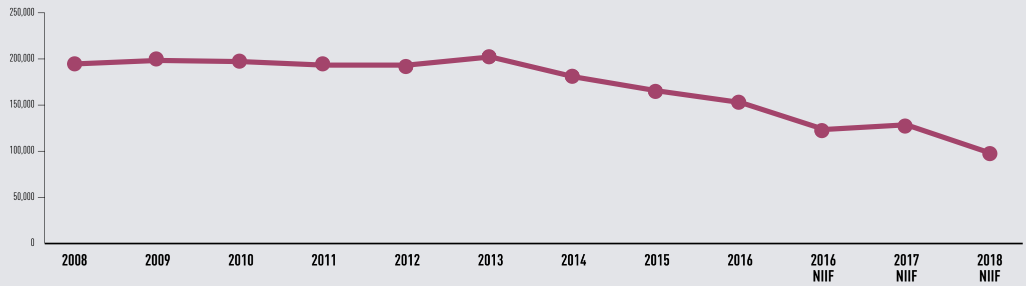
Changes in the composition of transformation expenses and in the efficiency ratio 2008-2018

Thousand euros



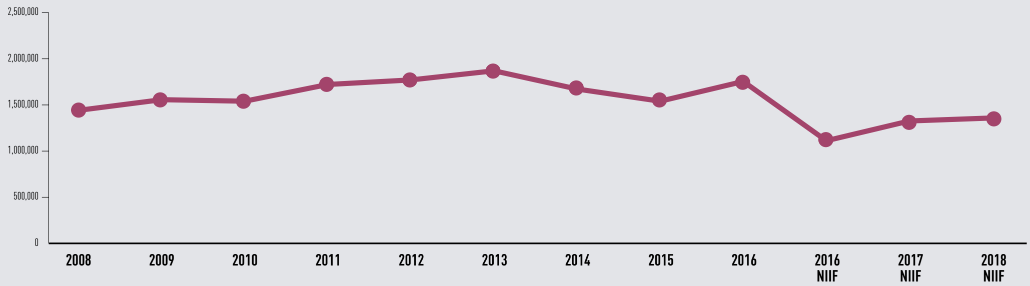
Changes in aggregate result 2008-2018

Thousand euros



Changes in aggregate equity funds 2008-2018

Thousand euros



Appendix

SOLVENCY AND LIQUIDITY

On 20 December 2018, the General Council approved Law 35/2018 on the solvency, liquidity and prudential supervision of credit institutions and investment firms, which transposes European Directive 2013/36/EU (known as CRDIV) into Andorra's legal system. This involves a significant step forward in the prudential banking framework compared to the legislation in force until now, i.e. the law of 29 February 1996 laying down the solvency and liquidity criteria for financial institutions.

Among the most significant changes introduced, it is worth highlighting the distinction made between the various capital elements according to their capacity to absorb losses; the introduction of more demanding requirements when it comes to considering capital instruments as own equity elements; capital cushion rules; the self-assessment of risk for each institution in collaboration with the AFA (Andorran Financial Authority); the need to raise additional capital to cover risks that are not captured in the total amount of exposure to the risks identified in the supervisory review and evaluation processes; market transparency regarding the fulfilment of solvency and liquidity requirements by credit institutions; and, lastly, the mandatory information to be disclosed by the AFA in relation to financial regulation and supervision. These requirements will be progressively introduced through various transitional provisions which, in some cases, will extend until 2023.

The CET 1 (*phase-in*) solvency ratio –calculated for comparative purposes– was 16.30% as at 31 December 2018, i.e. above the average for European banks (14.34%). 2019 will be the first year in which banks will report the solvency ratio according to the European criteria of Basel III following the entry into force, in 14 January 2019, of the *Law 35/2018 on the solvency, liquidity and prudential supervision of financial institutions and investment firms*.

The solvency ratio –calculated under Andorran local regulations– was 20.30% on 31 December 2018, a figure that doubles the requirements laid down by Andorran bank regulations, which set this coefficient at a minimum of 10%. The aggregate liquidity ratio achieved by Andorran Banking member institutions in 2018 was 61.83%. This figure is also well above the 40% liquidity ratio required by Andorran banking regulations.

At the end of 2018, the aggregate solvency ratio –calculated for comparison purposes– CET1 (*phase-in*) was

16.30%

above the European banks' average (14.34%).

At the end of 2018, the aggregate liquidity ratio –calculated for comparison purposes– stood at

228.11%

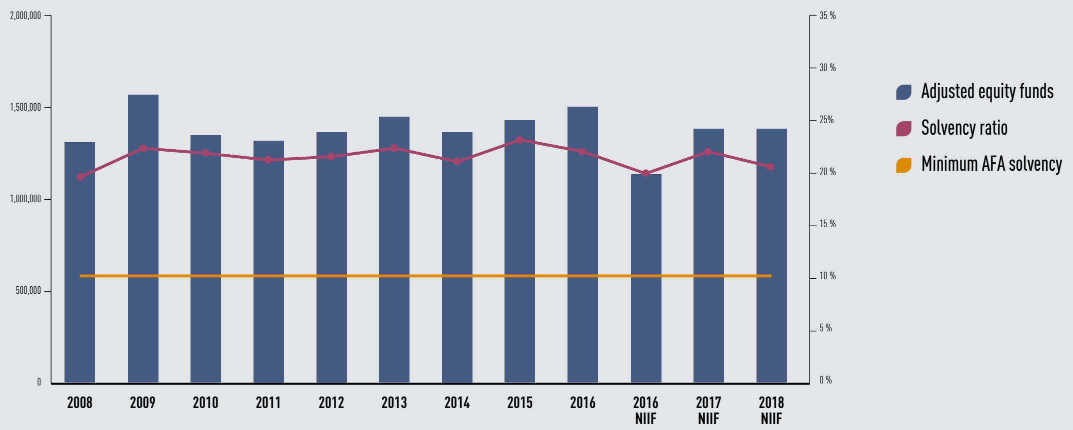
above the European banks' average (145.61%).

Appendix

	Solvency		Liquidity	
	2017	2018	2017	2018
ANDBANK	24.57%	22.31%	75.80%	66.60%
GRUP MORABANC	26.98%	26.28%	60.68%	65.73%
GRUP CRÈDIT ANDORRÀ	16.15%	15.11%	61.02%	56.27%
BANCSABADELL D'ANDORRA	23.71%	21.61%	59.05%	61.65%
VALL BANC	30.55%	28.61%	55.85%	59.65%
AGGREGATE RATIO	**21.74%**	**20.30%**	**65.37%**	**61.83%**

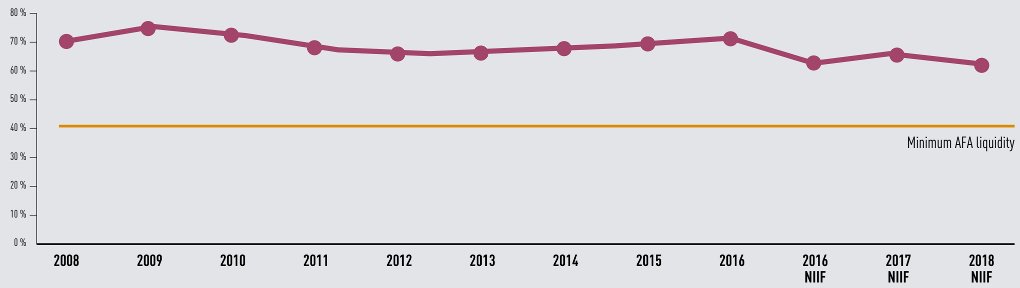
Changes in the solvency ratio and adjusted equity funds 2008-2018

Thousand euros



Changes in the aggregate liquidity ratio 2008-2018

Thousand euros



The Andorran Deposit Guarantee Fund and the Andorran Investment Guarantee System are governed by Law 20/2018, of 13 September, relating to the Andorran Deposit Guarantee Fund and the Andorran Investment Guarantee System, which transposes Directive 2014/49/EU on deposit guarantee schemes and Directive 97/9/EC on investor-compensation schemes, and which allows compliance with EU legislation as regards the protection of deposit holders with credit institutions in the Principality of Andorra and of investment holders with credit institutions and investment firms in the Principality of Andorra.

Appendix

AVERAGE RETURN ON EQUITY (ROE)

	2017	2018
ANDBANK	7.66%	5.38%
GRUP MORABANC	8.40%	8.60%
GRUP CRÈDIT ANDORRÀ	12.54%	8.43%
BANCSABADELL D'ANDORRA	12.49%	12.94%
VALL BANC	13.75%	3.83%
AGGREGATE RATIO	**9.85%**	**7.31%**

AVERAGE RETURN ON ASSETS (ROA)

	2017	2018
ANDBANK	0.84%	0.61%
GRUP MORABANC	0.88%	0.88%
GRUP CRÈDIT ANDORRÀ	0.86%	0.67%
BANCSABADELL D'ANDORRA	1.31%	1.32%
VALL BANC	0.88%	0.27%
AGGREGATE RATIO	**0.88%**	**0.71%**

RATINGS

Another indicator of banks' solvency are the ratings published by specialist agencies such as Fitch Ratings, Moody's or Standard & Poor's.

As far as Andorra's sovereign rating is concerned, Standard & Poor's latest review on 18 January 2019 affirmed its short and long-term rating to BBB/A-2 with a stable outlook.

The rating agency welcomes the progress made by the Government in its alignment with international standards and, specifically, the transposition of European legislation relating to the prevention of money laundering and financing of terrorism and the financial system.

The rating published by S&P shows that the country's economic activity, together with a solid tax yield, is balanced by the risk associated with the size of the Andorran financial system. Of note is the sound taxation framework and the positive economic developments that will allow the Andorran economy to maintain its net asset position during 2019-2020.

In its latest assessment of 8 February 2019, Fitch Ratings reaffirmed Andorra's BBB+ rating with a stable outlook. The agency took a positive view of the efforts made by the Principality in aligning with international standards of financial regulation and tax transparency.

It also welcomed the reduction in Andorra's sovereign debt, the balance of public finances and the moderate growth of GDP in 2018. It highlighted the strength of Andorra's economic activity in 2018 and the 2.5% increase in average wages, as well as the 0.7% increase in the CPI.

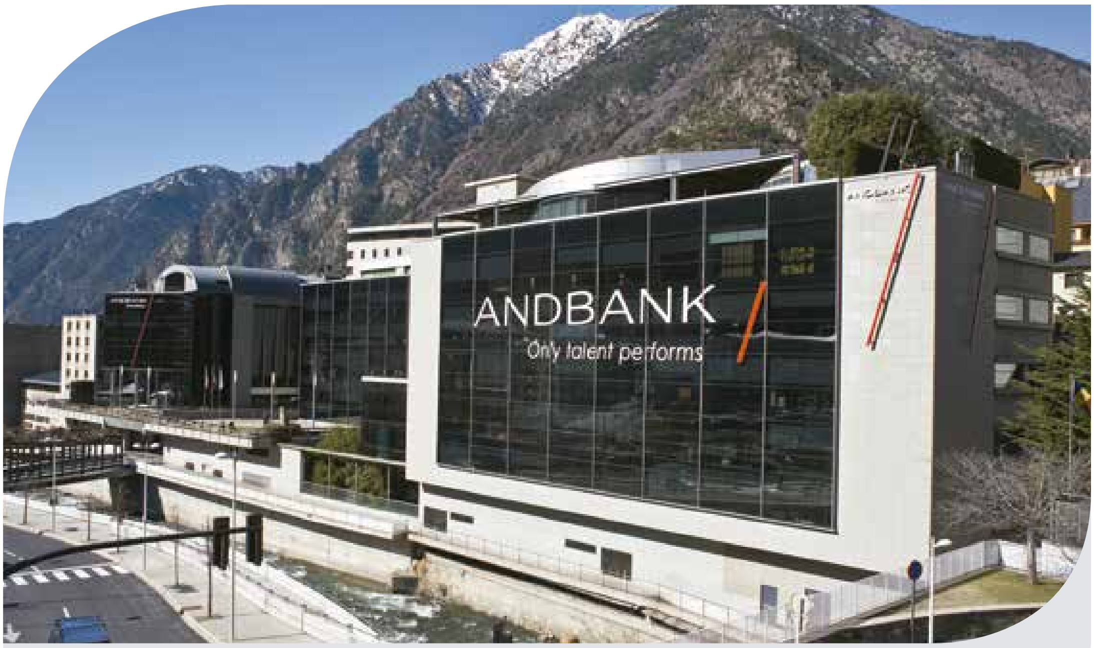
	Ratings		Agency
	Long term	Short term	
ANDBANK	BBB	F3	Fitch Ratings
GRUP MORABANC	BBB-	F3	Fitch Ratings
GRUP CRÈDIT ANDORRÀ	BBB	F3	Fitch Ratings
BANCSABADELL D'ANDORRA (*)	-	-	-
VALL BANC	-	-	-

(*) 51% owned by Banc de Sabadell.

Source: Fitch Ratings reports as at May 2019.

Appendix
Information on the Andorran banking sector
Andorran banking groups

ANDBANK
Private Bankers



ANDORRA BANC AGRÍCOL REIG, SA

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Honorary chairman	Mr Òscar Ribas Reig
Chairman	Mr Manel Cerqueda Donadeu
Vice-Chairman	Mr Oriol Ribas Duró
General Manager	Mr Ricard Tubau Roca
Deputy Director General for Treasury and Capital Markets	Mr Santiago Mora Torres
Deputy Director General for Intervention and Control	Mr Josep X. Casanovas Arasa

As at 31 December 2018.

Appendix

Source: Bank's annual report

ANDBANK
Private Bankers

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2017 AND 2018

(Thousand euros)

Assets	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Cash, cash at central banks and other sight deposits	1,433,393	32.26%	1,447,004	32.76%	(0.94%)
Financial assets held for trading	201,326	4.53%	339,490	7.69%	(40.70%)
Financial assets not held for trading that must be valued at fair value with changes in income	56,655	1.28%	6,436	0.15%	N/A
Financial assets at fair value with changes in the income statement	-	-	-	-	-
Financial assets at fair value with changes in the other comprehensive income	418,702	9.42%	224,032	5.07%	86.89%
Financial assets at amortised cost	1,880,725	42.33%	1,956,170	44.29%	(3.86%)
Derivatives - Hedge accounting	-	-	90	-	-
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	3,809	0.09%	3,863	0.09%	(1.40%)
Investments in jointly-controlled businesses and associates	2,978	0.07%	2,000	0.05%	48.90%
Assets covered under insurance and reinsurance contracts	6,863	0.15%	11,214	0.25%	(38.80%)
Tangible assets	30,989	0.70%	34,282	0.78%	(9.61%)
Intangible assets	268,171	6.04%	244,212	5.53%	9.81%
Tax assets	31,764	0.71%	32,358	0.73%	(1.84%)
Other assets	74,316	1.67%	68,304	1.55%	8.80%
Disposable non-current assets held for sale	33,295	0.75%	46,965	1.06%	(29.11%)
TOTAL ASSETS	**4,442,986**	**100.00%**	**4,416,420**	**100.00%**	**0.60%**

* The figures for 2017 are given for comparative purposes only.

Appendix

Source: Bank's annual report

ANDBANK Private Bankers

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2017 AND 2018

(Thousand euros)

Liabilities	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Financial liabilities held for trading	66,227	1.49%	58,088	1.32%	14.01%
Financial liabilities at fair value with changes in the income statement	-	-	-	-	-
Financial liabilities at amortised cost	3,727,811	83.90%	3,674,259	83.20%	1.46%
Derivatives - Hedge accounting	7,322	0.16%	3,089	0.07%	N/A
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	-	-	-	-	-
Liabilities covered under insurance and reinsurance contracts	6,863	0.15%	11,214	0.25%	(38.80%)
Provisions	17,479	0.39%	28,693	0.65%	(39.08%)
Tax liabilities	18,485	0.42%	25,027	0.57%	(26.14%)
Other liabilities	82,155	1.85%	80,430	1.82%	2.14%
Liabilities in groups of disposable items held for sale	-	-	-	-	-
TOTAL LIABILITIES	**3,926,342**	**88.37%**	**3,880,800**	**87.87%**	**1.17%**

(Thousand euros)

Net Equity	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Capital	78,842	1.77%	78,842	1.79%	-
Issue premium	73,441	1.65%	73,441	1.66%	-
Issued equity Instruments other than capital	35,000	0.79%	35,000	0.79%	-
Revaluation reserves	411,782	9.27%	375,208	8.50%	9.75%
Revaluation reserves	645	0.01%	1,942	0.04%	(66.79%)
Other reserves	(100,982)	(2.27%)	(65,158)	(1.48%)	54.98%
Own shares (-)	(1,927)	(0.04%)	(1,605)	(0.04%)	20.06%
Result attributed to majority shareholder	27,078	0.61%	39,153	0.89%	(30.84%)
Interim dividend (-)	-	-	-	-	-
Shareholders' equity	**523,879**	**11.79%**	**536,823**	**12.16%**	**(2.41%)**
Other cumulative results	**(8,334)**	**(0.19%)**	**(1,810)**	**(0.04%)**	**-**
Minority interests	**1,099**	**0.02%**	**607**	**0.01%**	**81.05%**
TOTAL NET EQUITY	**516,644**	**11.63%**	**535,620**	**12.13%**	**(3.54%)**
TOTAL LIABILITIES AND NET EQUITY	**4,442,986**	**100.00%**	**4,416,420**	**100.00%**	**0.60%**

* The figures for 2017 are given for comparative purposes only.

Appendix

Source: Bank's annual report

ANDBANK Private Bankers

CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2017 AND 2018

(Thousand euros)

	2018	2017*	Var. (%) 18-17
Interest income	50,711	52,373	(3.17%)
Interest expenses	(27,248)	(23,344)	16.72%
Dividend income	592	272	N/A
Interest margin	**24,055**	**29,301**	**(17.90%)**
Commissions earned	162,847	187,114	(12.97%)
Commissions paid	(43,469)	(40,147)	8.27%
Base margin	**143,433**	**176,268**	**(18.63%)**
Gains or losses when writing off financial assets and liabilities not valued at fair value with changes in income (net)	(26)	3,539	N/A
Results of enterprises carried using the equity method	-	-	-
Results from financial transactions	43,330	39,821	8.81%
Results on assets and liabilities covered under insurance and reinsurance contracts	-	-	-
Other operating income	6,066	7,781	(22.04%)
Other operating expenses	(3,854)	(7,824)	(50.74%)
	-	-	-
Gross margin	**188,949**	**219,585**	**(13.95%)**
Administrative expenses	(154,776)	(165,034)	(6.22%)
Staff costs	(96,661)	(104,449)	(7.46%)
Other general administrative expenses	(58,115)	(60,585)	(4.08%)
Amortisation	(9,960)	(13,440)	(25.89%)
Provisions funded (net)	1,610	(5,975)	N/A
Net impairment of financial assets not recognised at fair value with changes in profit and loss	5,931	5,714	3.80%
Net impairment of investments in jointly-controlled companies or associates	-	(771)	-
Net impairment of non-financial assets	(311)	15	N/A
Negative goodwill recognised in income	19	-	-
Participation in gains or losses from investments in subsidiaries, joint ventures and associates	223	-	-
Gains or losses from non-current assets and disposal groups classified as held for sale not admissible as discontinued operations	2,354	3,036	(22.46%)
Profit before tax	**34,039**	**43,130**	**(21.08%)**
Corporation Tax	(6,678)	(4,331)	54.19%
Results for the year from continuing operations	**27,361**	**38,799**	**(29.48%)**
Results from discontinued operations (net)	-	-	-
FY RESULTS	**27,361**	**38,799**	**(29.48%)**
Attributed to majority shareholder	**27,078**	**39,153**	**(30.84%)**
Attributed to minority shareholders	**283**	**354**	**(20.06%)**

* The figures for 2017 are given for comparative purposes only.

Appendix
Information on the Andorran banking sector
Andorran banking groups

MORA BANC GRUP, SA

Av. Meritxell, 96
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(Principat d'Andorra)

+376 884488 comunicacio@morabanc.ad

www.morabanc.ad

Chairman	Mr Pedro González Grau
General Manager	Mr Lluís Alsina Álvarez

MORA BANC, SAU

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Chairman	Mr Pedro González Grau
General Manager	Mr Lluís Alsina Álvarez

As at 31 December 2018.

Appendix

Source: Bank's annual report

MORABANC

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2017 AND 2018

(Thousand euros)

Assets	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Cash, cash at central banks and other sight deposits	17,648	0.63%	19,104	0.74%	(7.62%)
Financial assets held for trading	63,512	2.28%	194,835	7.56%	(67.40%)
Financial assets not held for trading that must be valued at fair value with changes in income	357,988	12.84%	357,145	13.86%	0.24%
Financial assets at fair value with changes in the income statement	-	-	-	-	-
Financial assets at fair value with changes in the other comprehensive income	622,398	22.32%	419,793	16.29%	48.26%
Financial assets at amortised cost	1,559,166	55.92%	1,426,737	55.35%	9.28%
Derivatives - Hedge accounting	191	0.01%	753	0.03%	(74.63%)
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	559	0.02%	12	-	N/A
Investments in jointly-controlled businesses and associates	1	-	31	-	(96.77%)
Assets covered under insurance and reinsurance contracts	36,324	1.30%	35,961	1.40%	1.01%
Tangible assets	103,240	3.70%	83,120	3.22%	24.21%
Intangible assets	13,173	0.47%	10,550	0.41%	24.86%
Tax assets	7,667	0.28%	6,936	0.27%	10.54%
Other assets	4,541	0.16%	7,565	0.29%	(39.97%)
Disposable non-current assets held for sale	1,562	0.06%	15,153	0.59%	(89.69%)
TOTAL ASSETS	**2,787,970**	**100.00%**	**2,577,695**	**100.00%**	**8.16%**

* The figures for 2017 are given for comparative purposes only.

Appendix

Source: Bank's annual report

MORABANC

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2017 AND 2018

(Thousand euros)

Liabilities	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Financial liabilities held for trading	31,282	1.12%	16,167	0.63%	93.49%
Financial liabilities at fair value with changes in the income statement	358,891	12.87%	405,870	15.75%	(11.57%)
Financial liabilities at amortised cost	1,972,271	70.74%	1,739,956	67.50%	13.35%
Derivatives - Hedge accounting	6,699	0.24%	3,148	0.12%	N/A
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	782	0.03%	779	0.03%	0.39%
Liabilities covered under insurance and reinsurance contracts	86,459	3.10%	86,094	3.34%	0.42%
Provisions	25,185	0.90%	26,004	1.01%	(3.15%)
Tax liabilities	3,571	0.13%	5,360	0.21%	(33.38%)
Other liabilities	16,243	0.58%	17,067	0.66%	(4.83%)
Liabilities in groups of disposable items held for sale	-	-	-	-	-
TOTAL LIABILITIES	2,501,383	89.72%	2,300,445	89.24%	8.73%

(Thousand euros)

Net Equity	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Capital	42,407	1.52%	42,407	1.65%	-
Issue premium	-	-	-	-	-
Issued equity Instruments other than capital	-	-	-	-	-
Revaluation reserves	155,079	5.56%	145,608	5.65%	6.50%
Revaluation reserves	-	-	-	-	-
Other reserves	68,275	2.45%	75,841	2.94%	(9.98%)
Own shares (-)	-	-	-	-	-
Result attributed to majority shareholder	24,057	0.86%	23,517	0.91%	2.30%
Interim dividend (-)	-	-	(12,925)	(0.50%)	-
Shareholders' equity	**289,818**	**10.40%**	**274,448**	**10.65%**	**5.60%**
Other cumulative results	**(3,227)**	**(0.12%)**	**2,806**	**0.11%**	**N/A**
Minority interests	**(4)**	**-**	**(4)**	**-**	**-**
TOTAL NET EQUITY	286,587	10.28%	277,250	10.76%	3.37%
TOTAL LIABILITIES AND NET EQUITY	2,787,970	100.00%	2,577,695	100.00%	8.16%

* The figures for 2017 are given for comparative purposes only.

Appendix

Source: Bank's annual report

MORABANC

CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2017 AND 2018

(Thousand euros)

	2018	2017*	Var. (%) 18-17
Interest income	35,711	26,938	32.57%
Interest expenses	(10,356)	(5,858)	76.78%
Dividend income	623	166	N/A
Interest margin	**25,978**	**21,246**	**22.27%**
Commissions earned	61,658	65,182	(5.41%)
Commissions paid	(11,389)	(10,382)	9.70%
Base margin	**76,247**	**76,046**	**0.26%**
Gains or losses when writing off financial assets and liabilities not valued at fair value with changes in income (net)	-	-	-
Results of enterprises carried using the equity method	(30)	(99)	(69.70%)
Results from financial transactions	7,883	10,837	(27.26%)
Results on assets and liabilities covered under insurance and reinsurance contracts	-	-	-
Other operating income	5,182	3,039	70.52%
Other operating expenses	(366)	(1,013)	(63.87%)
	-	-	-
Gross margin	**88,916**	**88,810**	**0.12%**
Administrative expenses	(55,903)	(51,797)	7.93%
Staff costs	(32,256)	(30,158)	6.96%
Other general administrative expenses	(23,647)	(21,639)	9.28%
Amortisation	(5,638)	(8,010)	(29.61%)
Provisions funded (net)	(1,868)	(2,256)	(17.20%)
Net impairment of financial assets not recognised at fair value with changes in profit and loss	238	(1,814)	N/A
Net impairment of investments in jointly-controlled companies or associates	-	-	-
Net impairment of non-financial assets	(117)	-	-
Negative goodwill recognised in income	-	-	-
Participation in gains or losses from investments in subsidiaries, joint ventures and associates	142	-	-
Gains or losses from non-current assets and disposal groups classified as held for sale not admissible as discontinued operations	60	90	(33.33%)
Profit before tax	**25,830**	**25,023**	**3.23%**
Corporation Tax	(1,773)	(1,506)	17.73%
Results for the year from continuing operations	**24,057**	**23,517**	**2.30%**
Results from discontinued operations (net)	-	-	-
FY RESULTS	**24,057**	**23,517**	**2.30%**
Attributed to majority shareholder	**24,057**	**23,517**	**2.30%**
Attributed to minority shareholders	**-**	**-**	**-**

* The figures for 2017 are given for comparative purposes only.

Appendix
Information on the Andorran banking sector
Andorran banking groups

GRUP CRÈDIT ANDORRÀ

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

As at 31 December 2018.

Appendix

Source: Bank's annual report

Crèdit Andorrà

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2017 AND 2018

(Thousand euros)

Assets	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Cash, cash at central banks and other sight deposits	343,553	6.63%	251,265	4.60%	36.73%
Financial assets held for trading	12,560	0.24%	8,409	0.15%	49.36%
Financial assets not held for trading that must be valued at fair value with changes in income	185,903	3.59%	215,970	3.96%	(13.92%)
Financial assets at fair value with changes in the income statement	1,865	0.04%	14,763	0.27%	(87.37%)
Financial assets at fair value with changes in the other comprehensive income	365,996	7.06%	405,340	7.42%	(9.71%)
Financial assets at amortised cost	3,764,342	72.64%	4,083,559	74.79%	(7.82%)
Derivatives - Hedge accounting	-	-	-	-	-
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	21,711	0.42%	25,611	0.47%	(15.23%)
Investments in jointly-controlled businesses and associates	37,046	0.71%	31,491	0.58%	17.64%
Assets covered under insurance and reinsurance contracts	3,431	0.07%	2,760	0.05%	24.31%
Tangible assets	122,832	2.37%	127,155	2.33%	(3.40%)
Intangible assets	129,837	2.51%	112,717	2.06%	15.19%
Tax assets	28,219	0.54%	25,694	0.47%	9.83%
Other assets	52,908	1.02%	51,898	0.95%	1.95%
Disposable non-current assets held for sale	112,028	2.16%	103,285	1.89%	8.46%
TOTAL ASSETS	**5,182,231**	**100.00%**	**5,459,917**	**100.00%**	**(5.09%)**

* The figures for 2017 are given for comparative purposes only.

Appendix

Source: Bank's annual report

Crèdit Andorrà

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2017 AND 2018

(Thousand euros)

Liabilities	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Financial liabilities held for trading	10,405	0.20%	4,772	0.09%	N/A
Financial liabilities at fair value with changes in the income statement	71,411	1.38%	123,374	2.26%	(42.12%)
Financial liabilities at amortised cost	4,282,232	82.63%	4,493,974	82.31%	(4.71%)
Derivatives - Hedge accounting	35,194	0.68%	42,192	0.77%	(16.59%)
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	-	-	-	-	-
Liabilities covered under insurance and reinsurance contracts	265,650	5.13%	254,287	4.66%	4.47%
Provisions	31,299	0.60%	62,305	1.14%	(49.76%)
Tax liabilities	3,085	0.06%	2,169	0.04%	42.23%
Other liabilities	57,587	1.11%	55,746	1.02%	3.30%
Liabilities in groups of disposable items held for sale	-	-	-	-	-
TOTAL LIABILITIES	**4,756,863**	**91.79%**	**5,038,819**	**92.29%**	**(5.60%)**

(Thousand euros)

Net Equity	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Capital	63,462	1.22%	63,462	1.16%	-
Issue premium	-	-	-	-	-
Issued equity Instruments other than capital	-	-	-	-	-
Accumulated profits	-	-	-	-	-
Revaluation reserves	-	-	-	-	-
Other reserves	311,581	6.01%	293,721	5.38%	6.08%
Own shares (-)	-	-	-	-	-
Result attributed to majority shareholder	36,001	0.69%	50,194	0.92%	(28.28%)
Interim dividend (-)	-	-	-	-	-
Shareholders' equity	**411,044**	**7.93%**	**407,377**	**7.46%**	**0.90%**
Other cumulative results	**4,222**	**0.08%**	**4,972**	**0.09%**	**(15.08%)**
Minority interests	**10,102**	**0.19%**	**8,749**	**0.16%**	**15.46%**
TOTAL NET EQUITY	**425,368**	**8.21%**	**421,098**	**7.71%**	**1.01%**
TOTAL LIABILITIES AND NET EQUITY	**5,182,231**	**100.00%**	**5,459,917**	**100.00%**	**(5.09%)**

* The figures for 2017 are given for comparative purposes only.

Source: Bank's annual report

Crèdit Andorrà

CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2017 AND 2018

(Thousand euros)

	2018	2017*	Var. (%) 18-17
Interest income	72,932	70,243	3.83%
Interest expenses	(26,447)	(31,532)	(16.13%)
Dividend income	704	3,730	(81.13%)
Interest margin	**47,189**	**42,441**	**11.19%**
Commissions earned	124,376	158,678	(21.62%)
Commissions paid	(31,081)	(33,135)	(6.20%)
Base margin	**140,484**	**167,984**	**(16.37%)**
Gains or losses when writing off financial assets and liabilities not valued at fair value with changes in income (net)	14,046	3,184	N/A
Results of enterprises carried using the equity method	-	-	-
Results from financial transactions	8,288	14,005	(40.82%)
Results on assets and liabilities covered under insurance and reinsurance contracts	-	-	-
Other operating income	9,638	10,318	(6.59%)
Other operating expenses	(3,611)	(4,094)	(11.80%)
	3,706	4,192	(11.59%)
Gross margin	**172,551**	**195,589**	**(11.78%)**
Administrative expenses	(123,583)	(127,330)	(2.94%)
Staff costs	(69,351)	(71,901)	(3.55%)
Other general administrative expenses	(54,232)	(55,429)	(2.16%)
Amortisation	(15,323)	(12,264)	24.94%
Provisions funded (net)	(2,760)	(2,092)	31.93%
Net impairment of financial assets not recognised at fair value with changes in profit and loss	1,724	(228)	N/A
Net impairment of investments in jointly-controlled companies or associates	-	(231)	-
Net impairment of non-financial assets	(161)	-	-
Negative goodwill recognised in income	2,632	-	-
Participation in gains or losses from investments in subsidiaries, joint ventures and associates	4,098	3,398	20.60%
Gains or losses from non-current assets and disposal groups classified as held for sale not admissible as discontinued operations	(126)	(623)	(79.78%)
Profit before tax	**39,052**	**56,219**	**(30.54%)**
Corporation tax	(2,698)	(5,660)	(52.33%)
Results for the year from continuing operations	**36,354**	**50,559**	**(28.10%)**
Results from discontinued operations (net)	-	-	-
FY RESULTS	**36,354**	**50,559**	**(28.10%)**
Attributed to majority shareholder	**36,001**	**50,194**	**(28.28%)**
Attributed to minority shareholders	**353**	**365**	**(3.29%)**

* The figures for 2017 are given for comparative purposes only.

Appendix
Information on the Andorran banking sector
Andorran banking groups

BancSabadell
d'Andorra

BANCSABADELL D'ANDORRA, SA

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

As at 31 December 2018.

Source: Bank's annual report

BancSabadell d'Andorra

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2017 AND 2018

(Thousand euros)

Assets	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Cash, cash at central banks and other sight deposits	63,939	8.06%	22,079	2.85%	N/A
Financial assets held for trading	62,325	7.85%	31,686	4.10%	96.70%
Financial assets not held for trading that must be valued at fair value with changes in income	4,423	0.56%	-	-	-
Financial assets at fair value with changes in the income statement	38,469	4.85%	39,526	5.11%	(2.67%)
Financial assets at fair value with changes in the other comprehensive income	70,587	8.89%	59,040	7.63%	19.56%
Financial assets at amortised cost	506,939	63.88%	583,328	75.39%	(13.10%)
Derivatives - Hedge accounting	-	-	-	-	-
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	91	0.01%	-	-	-
Investments in jointly-controlled businesses and associates	-	-	-	-	-
Assets covered under insurance and reinsurance contracts	-	-	-	-	-
Tangible assets	25,438	3.21%	25,148	3.25%	1.15%
Intangible assets	221	0.03%	257	0.03%	(14.01%)
Tax assets	510	0.06%	201	0.03%	N/A
Other assets	11,800	1.49%	6,659	0.86%	77.20%
Disposable non-current assets held for sale	8,824	1.11%	5,799	0.75%	52.16%
TOTAL ASSETS	**793,564**	**100.00%**	**773,723**	**100.00%**	**2.56%**

* The figures for 2017 are given for comparative purposes only.

Appendix

Source: Bank's annual report

BancSabadell d'Andorra

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2017 AND 2018

(Thousand euros)

Liabilities	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Financial liabilities held for trading	1,098	0.14%	1,150	0.15%	(4.52%)
Financial liabilities at fair value with changes in the income statement	38,475	4.85%	39,526	5.11%	(2.66%)
Financial liabilities at amortised cost	660,067	83.18%	638,905	82.58%	3.31%
Derivatives - Hedge accounting	85	0.01%	-	-	-
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	-	-	-	-	-
Liabilities covered under insurance and reinsurance contracts	-	-	-	-	-
Provisions	1,171	0.15%	1,175	0.15%	(0.34%)
Tax liabilities	820	0.10%	1,180	0.15%	(30.51%)
Other liabilities	9,100	1.15%	11,202	1.45%	(18.76%)
Liabilities in groups of disposable items held for sale	-	-	15	-	-
TOTAL LIABILITIES	**710,817**	**89.57%**	**693,153**	**89.59%**	**2.55%**

(Thousand euros)

Net Equity	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Capital	30,069	3.79%	30,069	3.89%	-
Issue premium	-	-	-	-	-
Issued equity Instruments other than capital	-	-	-	-	-
Accumulated profits	-	-	-	-	-
Revaluation reserves	2,288	0.29%	2,288	0.30%	-
Other reserves	41,449	5.22%	38,535	4.98%	7.56%
Own shares (-)	(819)	(0.10%)	(782)	(0.10%)	4.73%
Result attributed to majority shareholder	10,249	1.29%	10,039	1.30%	2.09%
Interim dividend (-)	-	-	-	-	-
Shareholders' equity	**83,236**	**10.49%**	**80,149**	**10.36%**	**3.85%**
Other cumulative results	**(489)**	**(0.06%)**	**421**	**0.05%**	**N/A**
Minority interests	**-**	**-**	**-**	**-**	**-**
TOTAL NET EQUITY	**82,747**	**10.43%**	**80,570**	**10.41%**	**2.70%**
TOTAL LIABILITIES AND NET EQUITY	**793,564**	**100.00%**	**773,723**	**100.00%**	**2.56%**

* The figures for 2017 are given for comparative purposes only.

Appendix

Source: Bank's annual report

BancSabadell d'Andorra

CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2017 AND 2018

(Thousand euros)

	2018	2017*	Var. (%) 18-17
Interest income	12,477	12,263	1.75%
Interest expenses	(1,663)	(1,342)	23.92%
Dividend income	31	30	3.33%
Interest margin	**10,845**	**10,951**	**(0.97%)**
Commissions earned	11,975	12,471	(3.98%)
Commissions paid	(2,309)	(2,507)	(7.90%)
Base margin	**20,511**	**20,915**	**(1.93%)**
Gains or losses when writing off financial assets and liabilities not valued at fair value with changes in income (net)	689	896	(23.10%)
Results of enterprises carried using the equity method	-	-	-
Results from financial transactions	1,385	1,605	(13.71%)
Results on assets and liabilities covered under insurance and reinsurance contracts	-	-	-
Other operating income	614	367	67.30%
Other operating expenses	(516)	(140)	N/A
	-	-	-
Gross margin	**22,682**	**23,644**	**(4.07%)**
Administrative expenses	(12,717)	(12,744)	(0.21%)
Staff costs	(7,473)	(7,275)	2.72%
Other general administrative expenses	(5,244)	(5,468)	(4.10%)
Amortisation	(1,013)	(957)	5.85%
Provisions funded (net)	22	(94)	N/A
Net impairment of financial assets not recognised at fair value with changes in profit and loss	1,466	695	N/A
Net impairment of investments in jointly-controlled companies or associates	-	-	-
Net impairment of non-financial assets	-	-	-
Negative goodwill recognised in income	-	-	-
Participation in gains or losses from investments in subsidiaries, joint ventures and associates	-	-	-
Gains or losses from non-current assets and disposal groups classified as held for sale not admissible as discontinued operations	429	120	N/A
Profit before tax	**10,869**	**10,664**	**1.92%**
Corporation tax	(620)	(625)	(0.80%)
Results for the year from continuing operations	**10,249**	**10,039**	**2.09%**
Results from discontinued operations (net)	-	-	-
FY RESULTS	**10,249**	**10,039**	**2.09%**
Attributed to majority shareholder	**10,249**	**10,039**	**2.09%**
Attributed to minority shareholders	**-**	**-**	**-**

* The figures for 2017 are given for comparative purposes only.

Appendix
Information on the Andorran banking sector
Andorran banking groups

VALL BANC, SAU

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www.vallbanc.ad

Chairman	Mr Richard Carrión
Chief executive officer	Mr Michael Christner
General Manager	Mr Gerard Albà
Assistant Director General for Operations	Mr Mike Saur
Assistant Director General for Technology Strategy	Mr Eric Andersson

As at 31 December 2018.

Appendix

Source: Bank's annual report

VALLBANC

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2017 AND 2018

(Thousand euros)

Assets	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Cash, cash at central banks and other sight deposits	162,799	21.33%	167,552	18.40%	(2.84%)
Financial assets held for trading	-	-	-	-	-
Financial assets not held for trading that must be valued at fair value with changes in income	2,724	0.36%	-	-	-
Financial assets at fair value with changes in the income statement	28,118	3.68%	14,953	1.64%	88.04%
Financial assets at fair value with changes in the other comprehensive income	88,062	11.54%	62,883	6.90%	40.04%
Financial assets at amortised cost	390,042	51.11%	467,998	51.38%	(16.66%)
Derivatives - Hedge accounting	-	-	-	-	-
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	-	-	-	-	-
Investments in jointly-controlled businesses and associates	17	-	47	0.01%	(63.83%)
Assets covered under insurance and reinsurance contracts	-	-	-	-	-
Tangible assets	59,624	7.81%	59,009	6.48%	1.04%
Intangible assets	18,681	2.45%	16,687	1.83%	11.95%
Tax assets	896	0.12%	273	0.03%	N/A
Other assets	12,046	1.58%	28,605	3.14%	(57.89%)
Disposable non-current assets held for sale	92	0.01%	92,800	10.19%	(99.90%)
TOTAL ASSETS	**763,101**	**100.00%**	**910,807**	**100.00%**	**(16.22%)**

* The figures for 2017 are given for comparative purposes only.

Appendix

Source: Bank's annual report

VALLBANC

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2017 AND 2018

(Thousand euros)

Liabilities	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Financial liabilities held for trading	-	-	-	-	-
Financial liabilities at fair value with changes in the income statement	-	-	-	-	-
Financial liabilities at amortised cost	693,292	90.85%	741,517	81.41%	(6.50%)
Derivatives - Hedge accounting	-	-	-	-	-
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	-	-	-	-	-
Liabilities covered under insurance and reinsurance contracts	-	-	-	-	-
Provisions	1,740	0.23%	2,679	0.29%	(35.05%)
Tax liabilities	2,540	0.33%	3,234	0.36%	(21.46%)
Other liabilities	15,651	2.05%	12,668	1.39%	23.55%
Liabilities in groups of disposable items held for sale	352	0.05%	86,660	9.51%	(99.59%)
TOTAL LIABILITIES	**713,575**	**93.51%**	**846,758**	**92.97%**	**(15.73%)**

(Thousand euros)

Net Equity	2018	% / Total	2017*	% / Total	Var. (%) 18-17
Capital	30,000	3.93%	30,000	3.29%	-
Issue premium	-	-	-	-	-
Issued equity Instruments other than capital	-	-	-	-	-
Accumulated profits	-	-	16,319	1.79%	-
Revaluation reserves	-	-	-	-	-
Other reserves	19,485	2.55%	10,232	1.12%	90.43%
Own shares (-)	-	-	-	-	-
Result attributed to majority shareholder	2,174	0.28%	8,353	0.92%	(73.97%)
Interim dividend (-)	-	-	-	-	-
Shareholders' equity	**51,659**	**6.77%**	**64,904**	**7.12%**	**(20.41%)**
Other cumulative results	**(2,133)**	**(0.28%)**	**(855)**	**(0.09%)**	**N/A**
Minority interests	**-**	**-**	**-**	**-**	**-**
TOTAL NET EQUITY	**49,526**	**6.49%**	**64,049**	**7.03%**	**(22.67%)**
TOTAL LIABILITIES AND NET EQUITY	**763,101**	**100.00%**	**910,807**	**100.00%**	**(16.22%)**

* The figures for 2017 are given for comparative purposes only.

Appendix

Source: Bank's annual report

VALLBANC

CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2017 AND 2018

(Thousand euros)

	2018	2017*	Var. (%) 18-17
Interest income	7,344	8,533	(13.93%)
Interest expenses	(3,770)	(5,309)	(28.99%)
Dividend income	178	35	N/A
Interest margin	**3,752**	**3,259**	**15.13%**
Commissions earned	22,280	25,277	(11.86%)
Commissions paid	(1,824)	(1,707)	6.85%
Base margin	**24,208**	**26,829**	**(9.77%)**
Gains or losses when writing off financial assets and liabilities not valued at fair value with changes in income (net)	176	2,848	(93.82%)
Results of enterprises carried using the equity method	-	-	-
Results from financial transactions	3,811	2,134	78.58%
Results on assets and liabilities covered under insurance and reinsurance contracts	-	-	-
Other operating income	1,110	2,277	(51.25%)
Other operating expenses	(607)	20	N/A
	-	-	-
Gross margin	**28,698**	**34,108**	**(15.86%)**
Administrative expenses	(31,741)	(27,688)	14.64%
Staff costs	(13,822)	(12,754)	8.37%
Other general administrative expenses	(17,919)	(14,934)	19.99%
Amortisation	(3,313)	(3,335)	(0.66%)
Provisions funded (net)	1,279	(999)	N/A
Net impairment of financial assets not recognised at fair value with changes in profit and loss	8,311	4,729	75.75%
Net impairment of investments in jointly-controlled companies or associates	(15)	(54)	(72.22%)
Net impairment of non-financial assets	-	-	-
Negative goodwill recognised in income	-	-	-
Participation in gains or losses from investments in subsidiaries, joint ventures and associates	-	-	-
Gains or losses from non-current assets and disposal groups classified as held for sale not admissible as discontinued operations	10	-	-
Profit before tax	**3,229**	**6,761**	**(52.24%)**
Corporation tax	(1,375)	60	N/A
Results for the year from continuing operations	**1,854**	**6,821**	**(72.82%)**
Results from discontinued operations (net)	320	1,532	(79.11%)
FY RESULTS	**2,174**	**8,353**	**(73.97%)**
Attributed to majority shareholder	**2,174**	**8,353**	**(73.97%)**
Attributed to minority shareholders	**-**	**-**	**-**

* The figures for 2017 are given for comparative purposes only.

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