

# 2023

Annual Report



**Andorran Banking**  
Excellence and trust

## Andorran Banking

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**2023**

Annual Report

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# 1 Foreword by the Chairman of Andorran Banking



**The sector has stepped  
up its action to attend  
to the projects of  
individuals, companies and  
institutions.**

This 2023 annual report by Andorran Banking shows that Andorran banks have the ability to remain solid and resilient over time. The financial sector has positioned itself as one of the main economic engines of the Principality, as it has been historically, based on its contribution to the country's economy.

The data and indicators for the financial year 2023 testify to the strength of our banking system, which acts as a key driving force behind the economic development of Andorra, for individuals, companies and institutions alike, and makes a decisive contribution to building a sustainable economic system.

Andorran banks ended 2023 with an aggregate result of €163m, a 44% increase over the previous year, and a volume of Assets under management up 16%, at €74,18bn. This sustained growth, coupled with the client and geographical diversification brought by the sector's internationalisation, a solid capital base—with solvency (CET1 of 17%) and liquidity ratios (LCR of 228.33%) above regulatory requirements and the average for European banks— and the reduction of the NPL ratio to historic lows (2.1%), are among the most noteworthy aspects of our report.

The positive momentum of the Andorran economy, the recovery of interest rates and

sound credit approval and monitoring policies have boosted the financial sector's results. Digitalisation and technological advances have also been essential in making this strong performance possible.

Andorran banks ended the year with a return on equity (ROE) of 10.38%, in line with the average for European institutions, a figure that accounts for a 281 basis point increase compared to 2022. The return on assets (ROA) also improved and stood at 0.89%, which is above the European average. This robustness is key to bringing confidence to both our economy and our clients, but also to the markets beyond our borders.

The three banks operating in the Andorran marketplace have supported the growth of the Andorran economy thanks to a universal, specialised and service-oriented proximity banking approach. The sector has stepped up its action to attend to the projects of individuals, companies and institutions. Credit investment has remained stable at around €5bn, with 664 new mortgages being granted to households for a total amount of €339m. Loans granted to companies and individuals totalled €707m, 5% more than in 2022. We have also supported consumption through the provision of more means of payment, with an 8% increase in the volume of credit and debit card transactions.

In its latest reports, the International Monetary Fund (IMF) stressed the important role played by the

Andorran banking sector in the country's economy. Andorran banks stand out for their sound capital position and a more diversified portfolio of services than their competitors, based on a whole range of individual, corporate and private banking services with more than 90 years of experience.

The current strength of the Andorran banking system is the result of having overcome many challenges over the years, consistently showing the ability to adapt and find new opportunities. Our capacity to adjust to new financial regulations places us at the same level as other European banks in terms of prudential supervision, regulatory compliance, transparency and cooperation. But it does not end here. Andorra is currently in the final phase of the negotiations for an Association Agreement with the EU that will shape our economic and social model for the coming decades and will bring about one of the most significant changes the country has seen in years. At Andorran Banking, we believe that it will also bring new opportunities for the banking industry at large.

The Andorran financial sector should continue to work towards ensuring its future strength and sustainability, with performance, responsibility, internationalisation, service and support to people as its guiding principles.

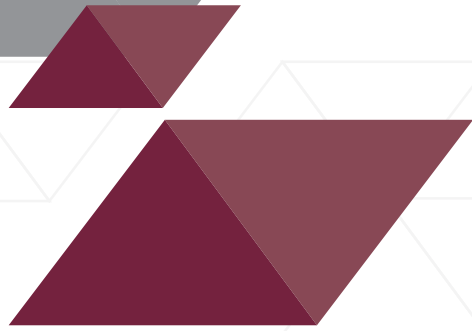
**Xavier Cornella Castel**  
*Chairman of Andorran Banking*

April 2024

# 2

## Andorran Banking

Having our own banking system is essential for the growth of the country's economy. Our mission is to promote the development and competitiveness of the banking sector as an economic and social driver of Andorra.



# Governing bodies

Chairman



**Xavier Cornella**

Creand

Vice-Chairman



**Carlos Aso**

Andbank

Member



**Lluís Alsina**

MoraBanc

Secretary  
and General Manager



**Esther Puigercós**

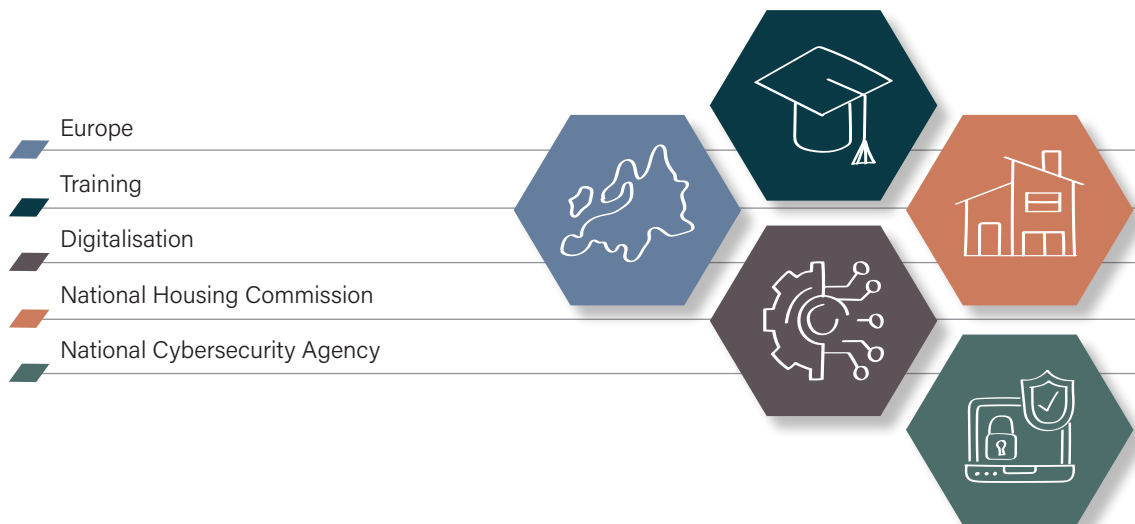
## Working commissions



## Membership



## Working groups



# Mission and role

**Represent the interests** of Andorran banks.

**Supporting the implementation of SDGs** (Sustainable Development Goals) across Andorran banking institutions.

**Monitors the reputation, development and competitiveness** of the banking sector both in Andorra and internationally.

Participating in public or private institutions and foundations to **foster economic, cultural and social well-being** in Andorra.

**Defending the reputation and development** of Andorran banks.

**Enforcing the ethical rules** inherent in the profession and specific to the Andorran Banking Association.

**Improving the technical standards** of the banking sector.

**Encouraging sectoral cooperation** and promoting effective competition.

**Our mission with Andorran banks is to promote the development and competitiveness of the banking sector as a driver of economic and social growth in Andorra.**

# Values



## 1. Professionalism and quality

With 90 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, extensive experience in wealth and asset management, and strong internationalisation, combined with sustainable and profitable growth.



## 3. Digital transformation

With its desire to change, to seek solutions and to keep up to date with the latest technology, the Andorran banking industry is committed to achieving digital transformation and generating value for the end customer.



## 4. 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.



## 5. 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.



## 6. Solvency

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



## 7. 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.



## 8. 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 international standards.



## 9. Stability

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

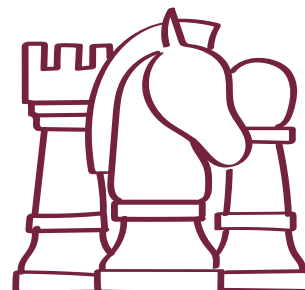


## 10. Competitiveness and innovation

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.

# Our strategy

Achieving our mission through a 5-pillar approach.



## Customers

- Accompanying our customers in their projects.
- Meeting the new requirements of clients and regulations.



## Society and Government

- Promoting responsible and sustainable financing of the economy: a key economic and social pillar of the country.



## Suppliers

- Aligning our objectives.
- Prioritising the values of responsible banking.



## Shareholders

- Generating growth through our national and international positioning.



## Employees

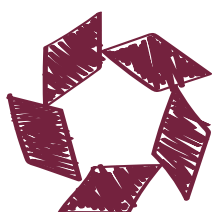
- Professional development based on shared values.
- Continuous training.

# A year full of activities!



## collaboration agreements

with the Andorran Red Cross, Unicef, Càritas Andorrana, the Private Guardianship Foundation, the Nostra Senyora de Meritxell Foundation and Government of Andorra.

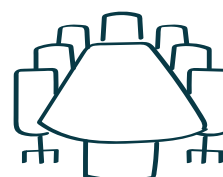


## 155 meetings

of Andorran Banking Commissions.

## 66 meetings

of the governing bodies of the Andorran Business Confederation, the Chamber of Commerce, Industry and Services of Andorra and the Private Guardianship Foundation.



## 57 meetings

held with Government and banking supervisory bodies.

## Continuous training

Training course on International Financial Reporting Standards (IFRS).



## Social media presence

## In 2023 there were over 37,000 views

of Andorran Banking's website.



# 3

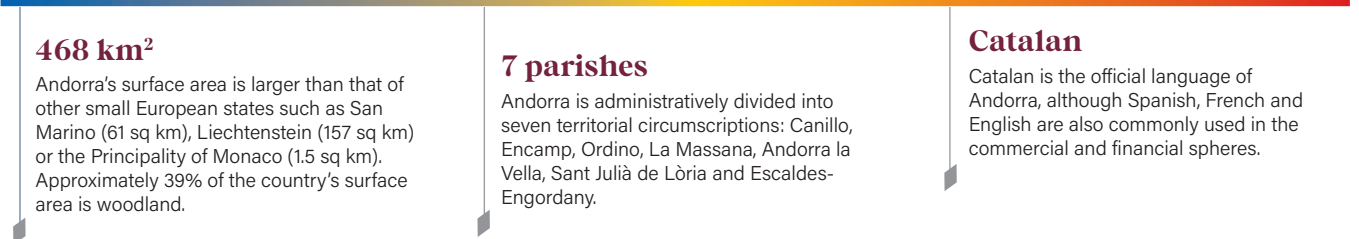
## Andorra and its economy

Andorra is a politically stable country  
with low public debt.



# Learn more about Andorra

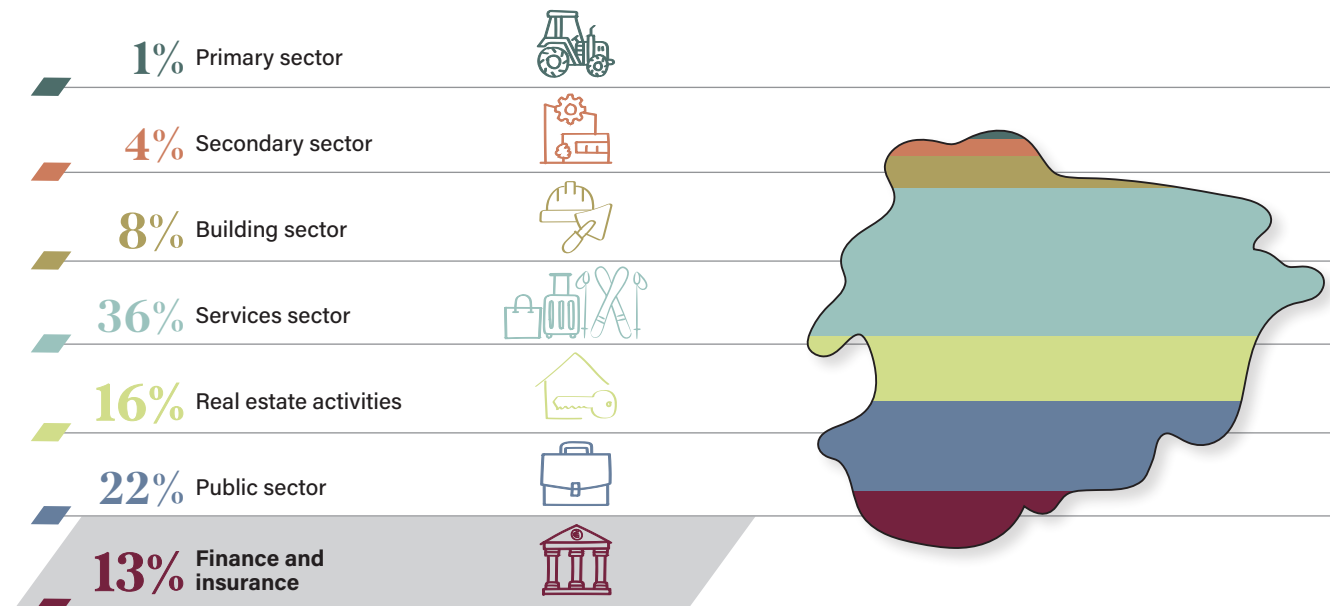
Source: Department of Statistics of the Andorran Government.



# Diversification of the business fabric

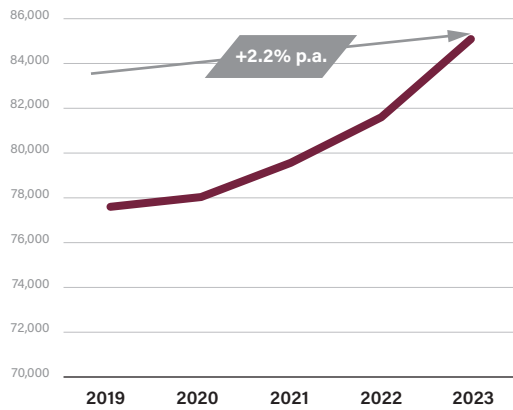
Estimated GDP – Weighting of the GVA by business sector.

Data as at 31 December 2022.

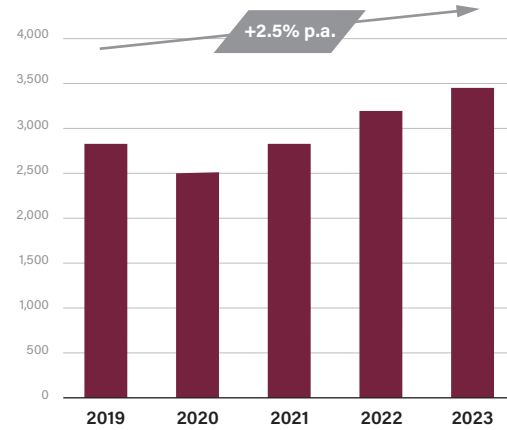


# Economic data

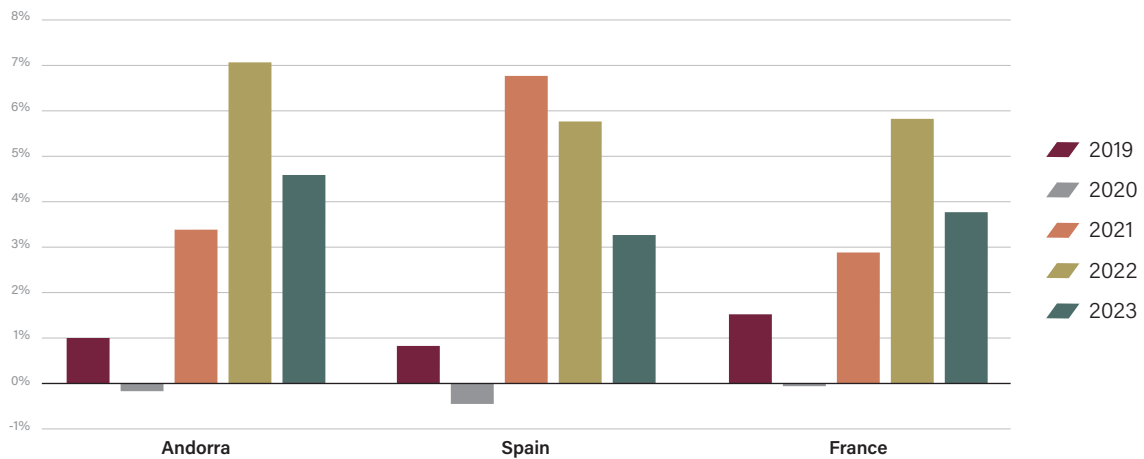
**Population**  
(p.a. = per annum)



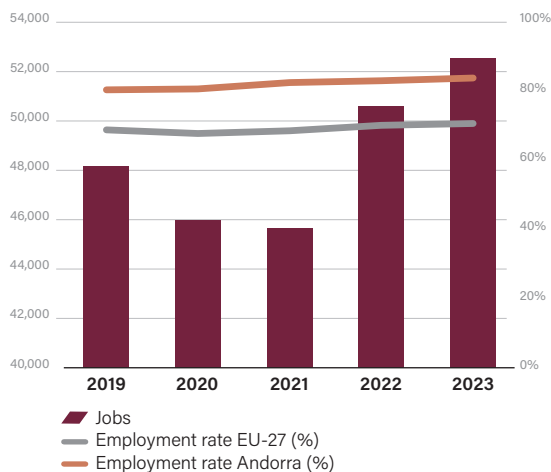
**Nominal GDP**  
(Million euros)



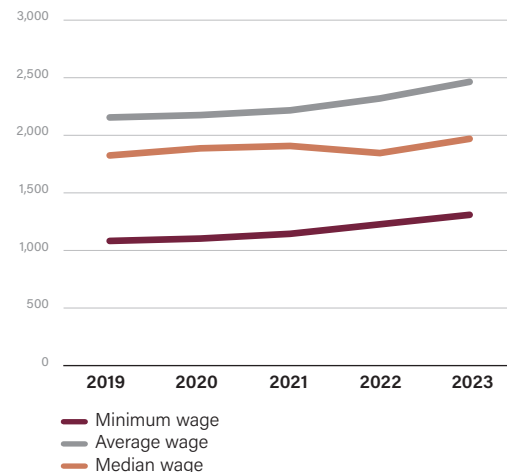
**Inflation**  
(%)



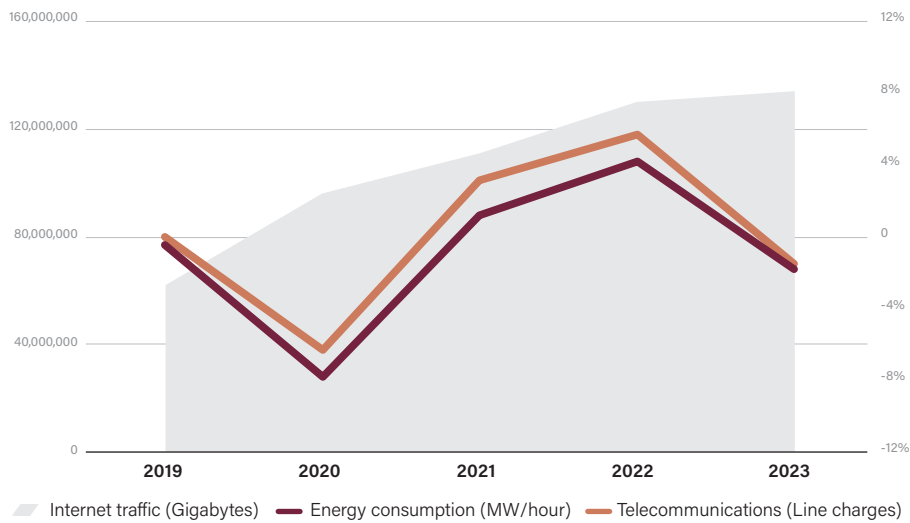
**Labour market**



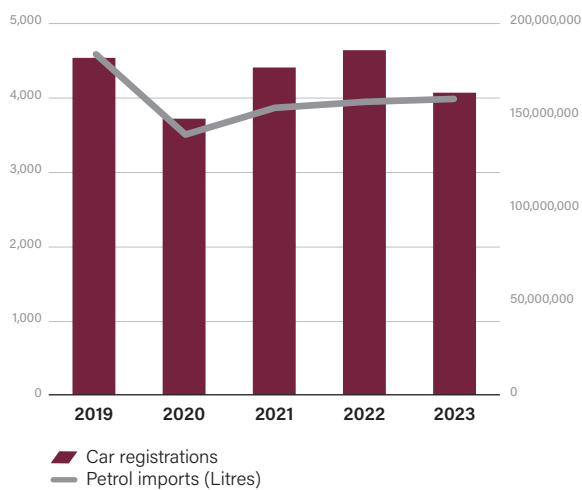
**Wages**  
(Euros)



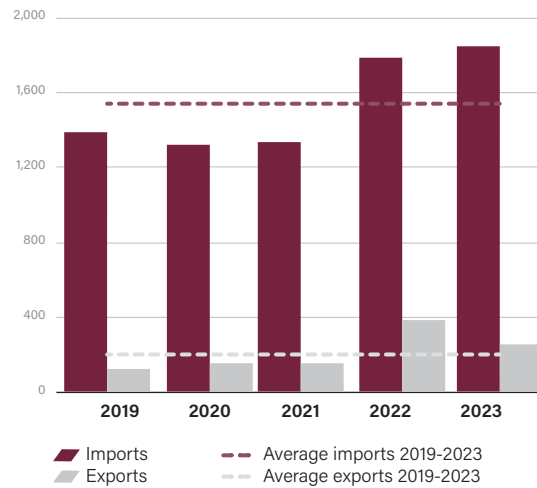
### Energy and telecommunications



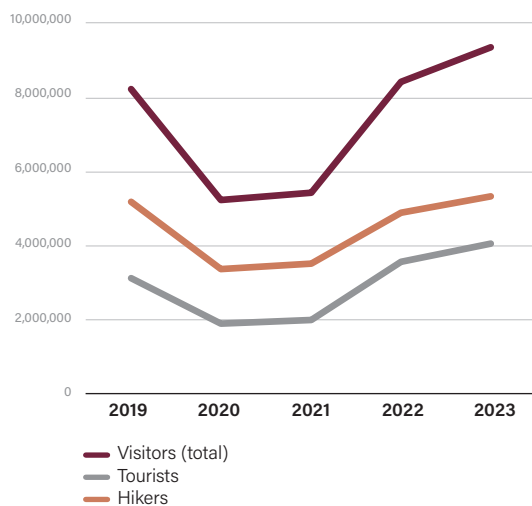
### Transport



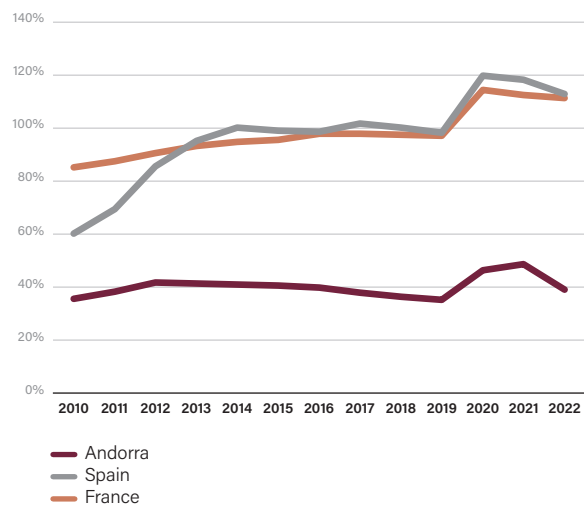
### Trade (Million euros)



### Tourism



### Evolution of Andorra's public debt vs. Spain and France (%/GDP)



## Country rating

### Standard & Poor's

as of 10/05/2024

Long-term	A-
Short-term	A - 2
Outlook	Positive



### Fitch Ratings

a 26/04/2024

Long-term	A-
Short-term	F2
Outlook	Stable



### Moody's

a 19/01/2024

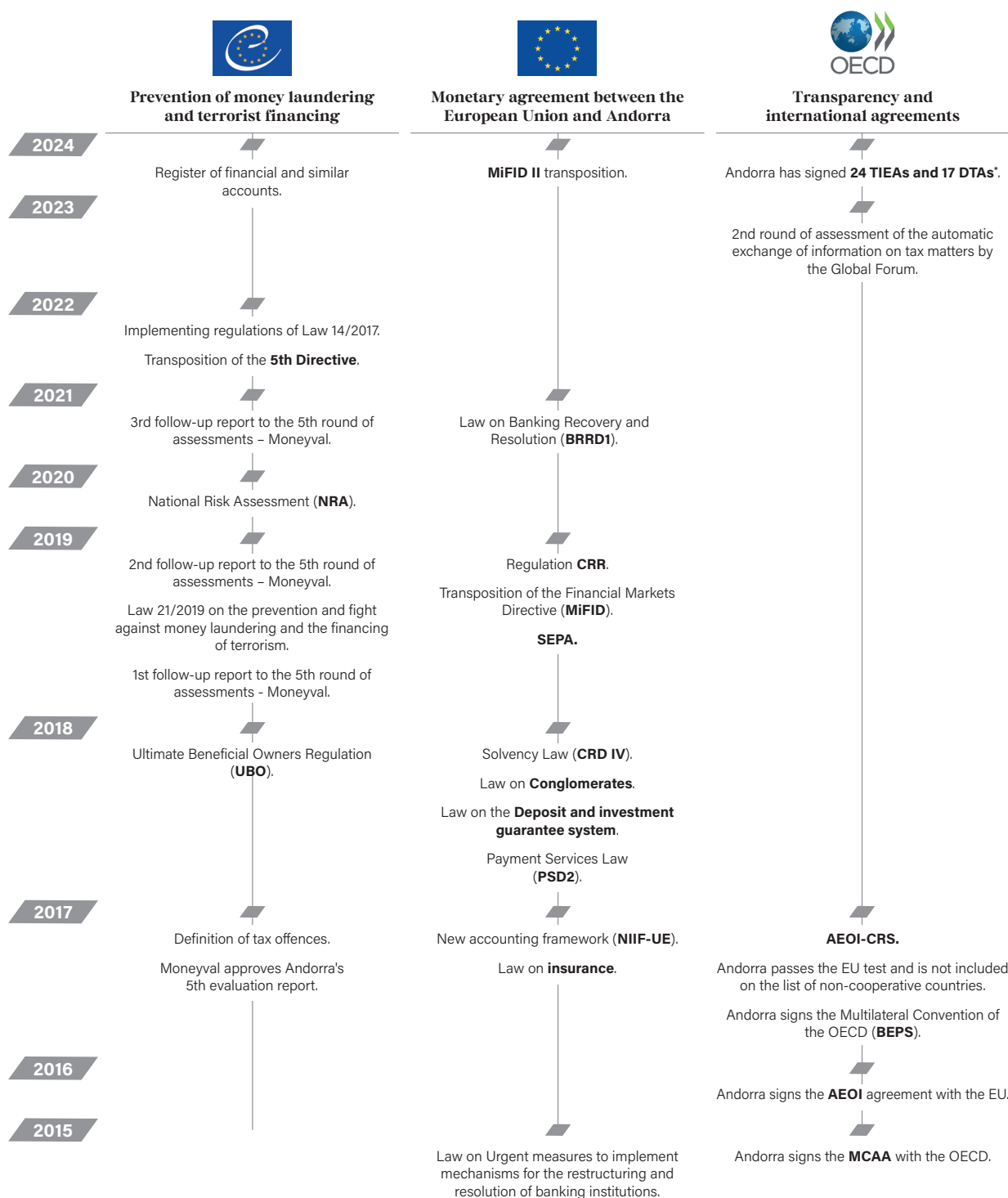
Long-term	Baa1
Outlook	Stable



## Taxes currently in force

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%

# Process of transformation of the Principality of Andorra



\*The Principality of Andorra, in line with its economic openness and process of harmonisation with international standards, has eleven DTAs in place (France, Luxembourg, Spain, United Arab Emirates, Portugal, Liechtenstein, Malta, Cyprus, San Marino, Hungary and Monaco) and six signed DTAs (Croatia, Czech Republic, Iceland, Netherlands, South Korea and Lithuania). Andorra has initialled two agreements that have yet to be signed with Belgium and Montenegro.

**2020: Andorra becomes the 190th member of the IMF.**

**2021: First issue of international bonds.**

**2023: The negotiations of the Association Agreement with the European Union have been completed.**

# 4

## The financial sector

According to the IMF, the banking sector plays a key role in the economy.



# The financial sector

Source: Autoritat Financera Andorrana (AFA).



## 3 banking institutions



21 non-banking financial

24 insurance companies

6 digital viewers\*



The financial sector is supervised by



It represents

**4%**

of the total number of employees and up to

**7.8%**

of the jobs generated indirectly by the sector taken into account.\*\*



It contributes to

**13%**  
of GDP

and up to **19%**

taking into account the sector's indirect contribution.\*\*

\*In accordance with Decree 478/2022, of 23-11-2022, approving the regulations implementing the requirements to act as a digital viewer, the obligations of a digital viewer and the disciplinary and sanctioning regime, a digital viewer is an individual or legal entity who, in accordance with Law 24/2022, of 30 June, on the digital representation of assets through the use of cryptography and distributed ledger and blockchain technology, is entrusted with the function of ensuring administrative liaison with the Andorran Financial Authority in applications for approval of activities relating to the digital representation of assets, whether through the procedure for obtaining a licence to start up an activity or through the regularisation of the activity.

\*\* See Appendix. Report by the Andorran Banking Observatory "Contribution of the financial sector to the Andorran economy".

# Key figures for the banking sector

## 3 banking groups

**ANDBANK** /  
*Private Bankers*

**MORABANC**

**Creand**®

## Andorra's banking business model



Commercial banking



Private banking



Insurance



UCI management companies  
(Undertakings for Collective Investment)

## Loans granted in 2023 (excl. Lombard loans)



**595**  
million euros to  
companies



**113**  
million euros to  
individuals



**339**  
million euros for  
mortgages



**4.3 branches per**  
10,000 inhabitants

## The banking sector is a major creator of permanent and skilled jobs

**1,231 people worked**  
in the banking sector in  
Andorra in 2023

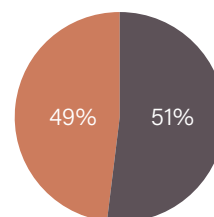


**609**



**622**

**Parity in Andorra's**  
banking sector



# International presence of the Andorran banking sector



<b>4</b> continents	<b>11</b> countries	<b>2,616</b> employees	<b>More than 90 years of experience in banking</b>
------------------------	------------------------	---------------------------	--

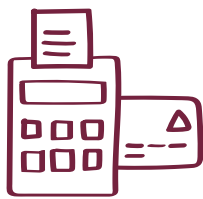


<b>1</b> Andorra	<b>4</b> United States	<b>7</b> Mexico	<b>10</b> Switzerland
<b>2</b> Brazil	<b>5</b> Israel	<b>8</b> Monaco	<b>11</b> Uruguay
<b>3</b> Spain	<b>6</b> Luxembourg	<b>9</b> Panama	

## Payments and digitalisation



is a bank subsidiary that provides services related to the use of cards and other means of payment.



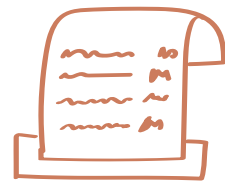
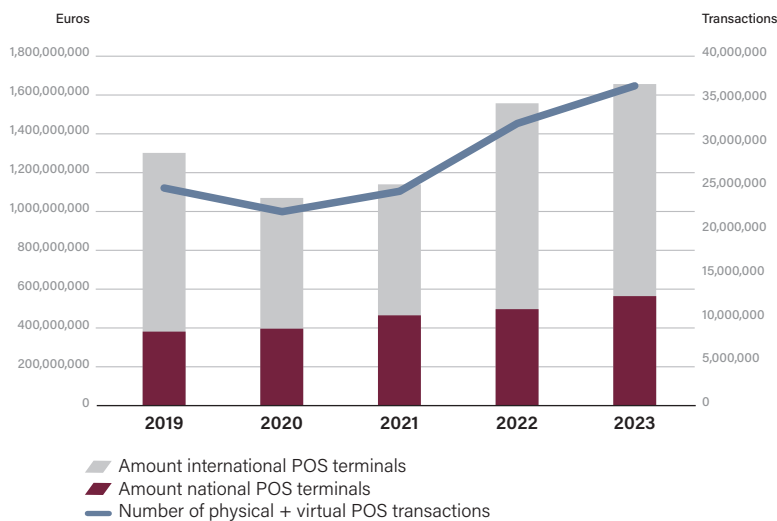
**5,011**  
POS

**9.8%**  
virtual POS  
terminals

**90.2%**  
Physical POS  
terminals

Nearly  
**1,700**  
million euros  
in POS  
transactions

Number and amount of national and international card transactions (acquirer) of physical and virtual POS terminals



In 2023 the value of the average ticket was:

**€43**

for physical POS

**€109**

for virtual POS



**96,000**  
cards issued



**32,000**  
users



The sector dedicates more than **6% of its profits** to driving digital transformation



In 2022-2023, **digital users** have grown by **7%** and **mobile application users** by **30%**

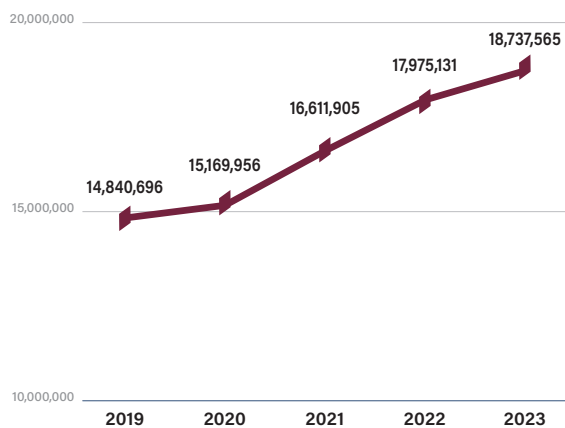


**65**  
ATMs

## Main indicators

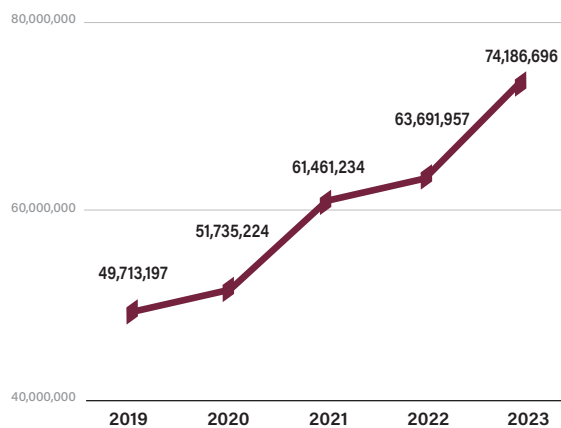
### Total assets

(Thousand euros)



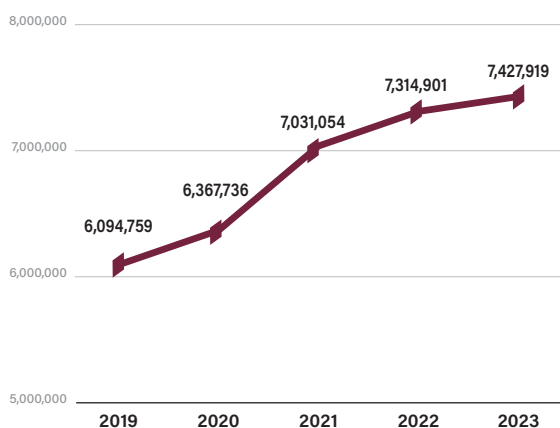
### Assets under management

(Thousand euros)



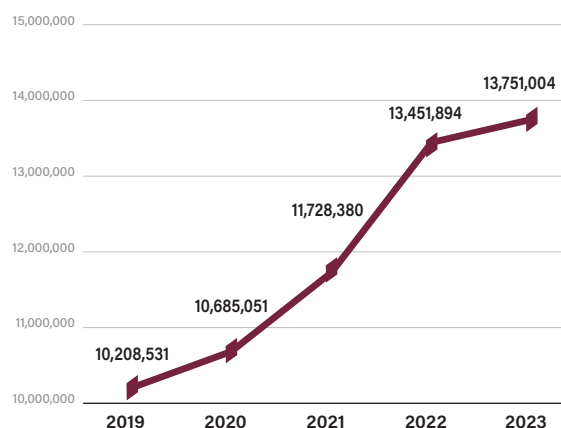
### Gross credit investment

(Thousand euros)

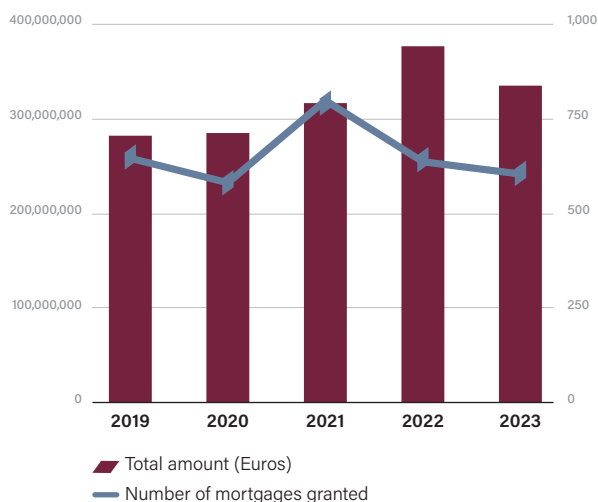


### Customer deposits

(Thousand euros)

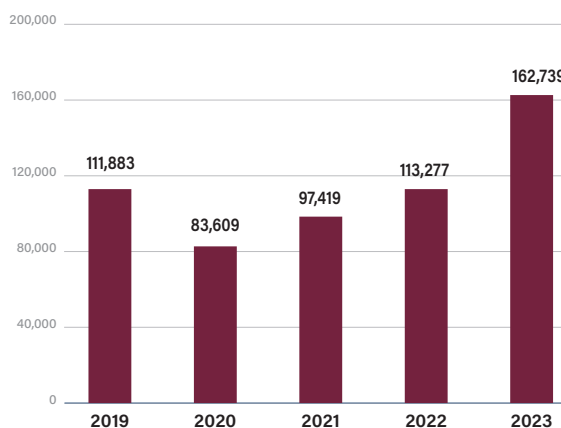


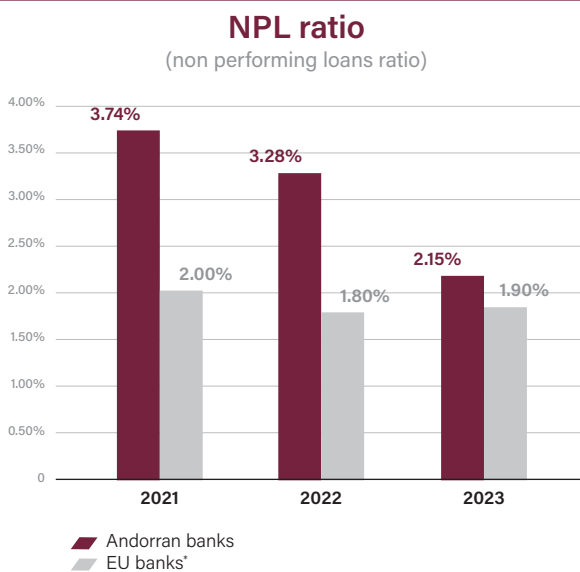
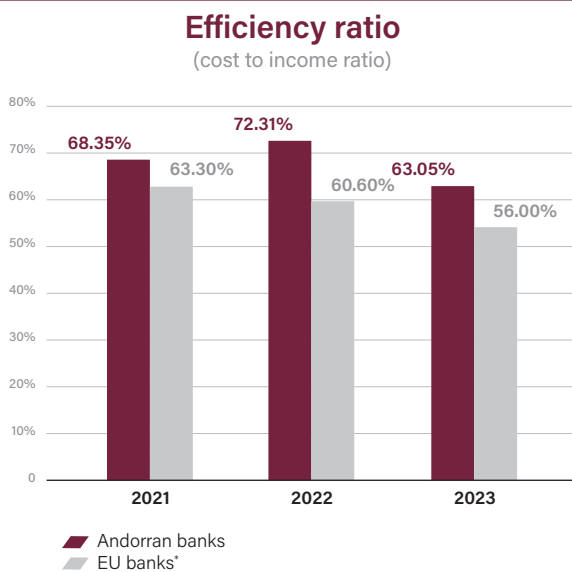
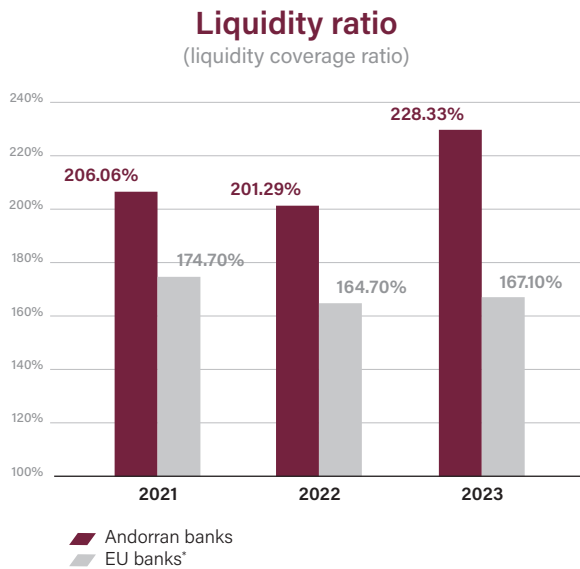
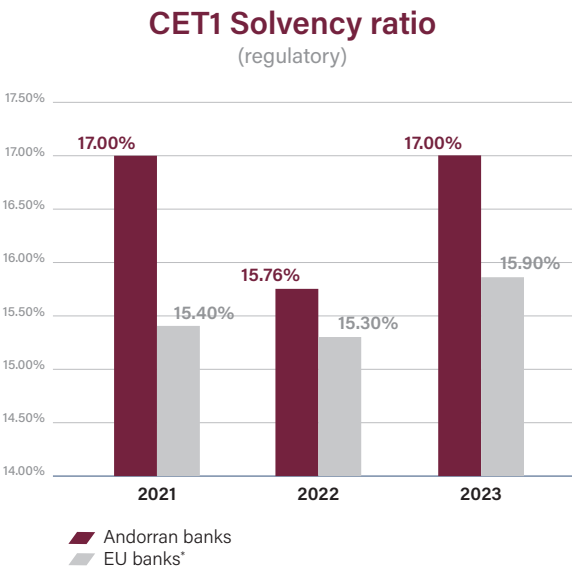
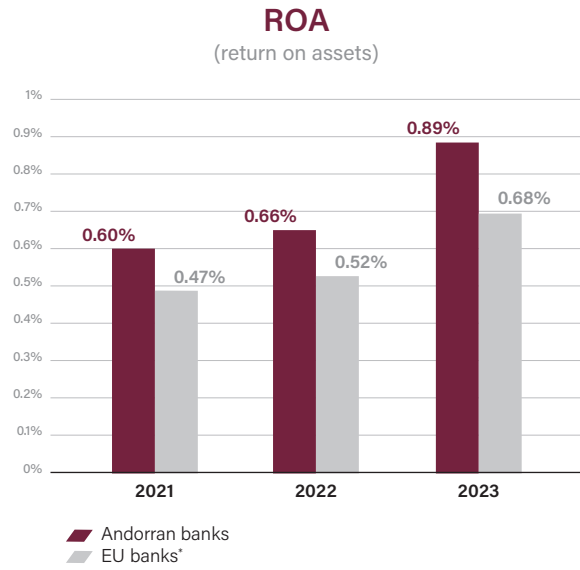
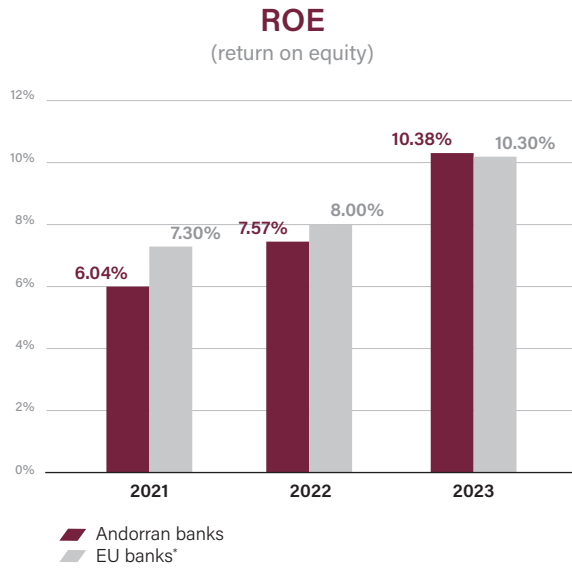
### Annual granting of credit investment in mortgage guarantee



### Results

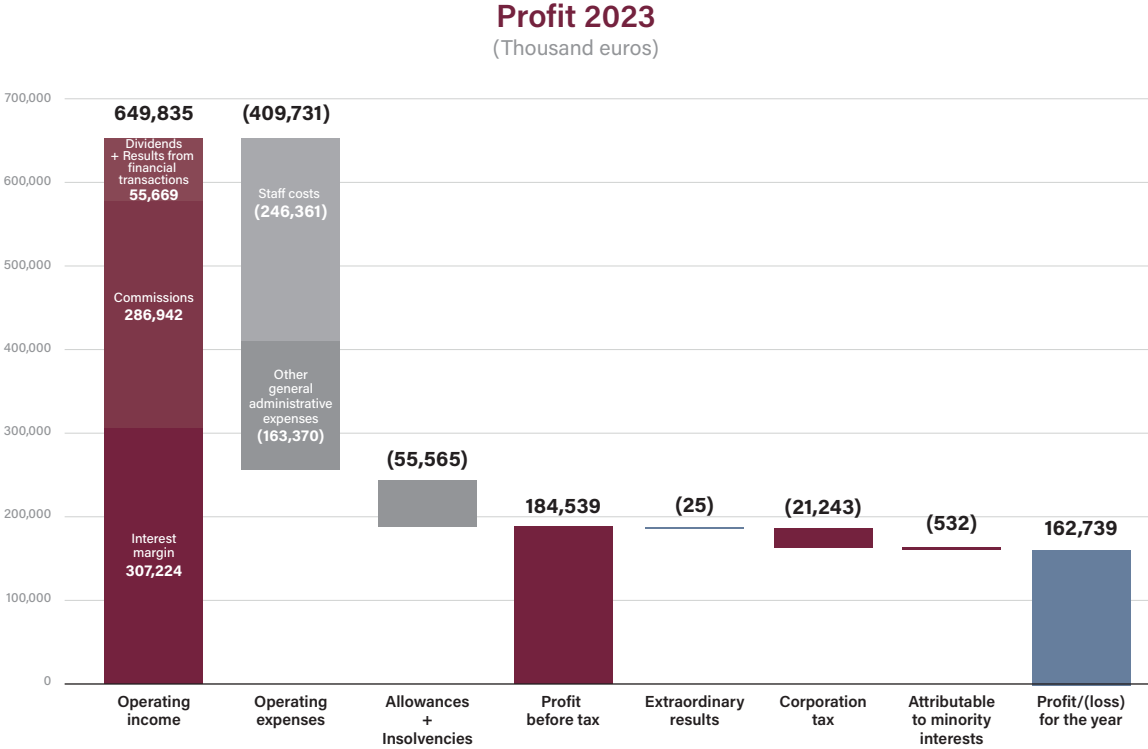
(Thousand euros)





Source: \* European Banking Authority (EBA).

## Contribution to economic progress



**Banking contributes to economic development on three levels: by the financing of the real economy, by creating skilled jobs and through the taxation of the sector.**

**Taxes borne in Andorra paid by the banking sector account for 25% of profits generated in the Principality.**

## Corporate Social Responsibility

**A total of 3% of profits goes to CSR through grants, and contributions to not-for-profit, cultural and sports organisations.**

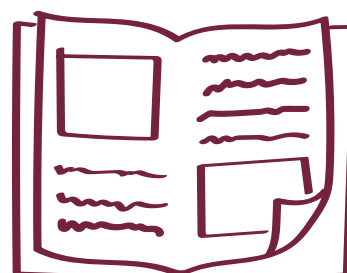
**100 students on internships in 2023.**

**11,963 kg of plastic and 70,176 kg of paper were recycled in 2023.**



**Annual  
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# Annual Report



## MAIN CHARACTERISTICS OF THE ANDORRAN BANKING SECTOR

**Providing added value banking services:** the business model of the Andorran banking sector 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 business. The digitisation process experienced by credit institutions allows them to offer a product that is tailored to the digital needs of their clients.

**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, Latin America and the Middle East.

**Sustainable and profitable growth:** the resources managed by Andorran banks have grown at an average rate of 10% per annum over the last years. Andorran banks have been able to maintain their profitability in part by adapting their business model to the new environment and customer needs.

**Financial soundness of banks:** the soundness of Andorran banks allows them to face the current context of economic uncertainty caused by inflation and rising interest rates with the best conditions.

## A STRATEGIC INDUSTRY

The banking sector is one of the driving forces behind Andorra's economic success. Andorran banks play an essential role in driving and supporting the country's economic and social development. We should also highlight the importance for a country to have its own financial system. If the banks operating in Andorra had their decision-making centres abroad, it would be very difficult for them to understand the idiosyncrasy of the local population and its financing needs, and, as a result, the economy would lose much of its momentum.

As a strategic industry, the banking sector drives and leads the digital transformation and sustainable development of companies and individuals alike. Sustainability and social responsibility are essential to achieving sustainable, forward-looking finances.

## BUSINESS MODEL

The universal business model of the Andorran banking sector combines personal and business banking with private banking, supported by a local presence and customer service with over 90 years of experience. This approach itself provides diversification for the banking sector's business model, as well as sustainable growth and profitability.

International banking: the evolution of the banking sector has been driven by the provision of added-value services and international expansion, both of which contribute to sustainable and profitable growth.



**International banking: the evolution of the banking sector has been driven by the provision of added-value services and international expansion, both of which contribute to sustainable and profitable growth.**

## CONSOLIDATED BALANCE SHEETS OF ANDORRAN BANKS

(Thousand euros)

<b>Assets</b>	<b>2023</b>	<b>% / Total</b>	<b>2022</b>	<b>% / Total</b>	<b>Var. (%) 23-22</b>
Cash, cash balances at central banks and other demand deposits	3,162,392	16.88%	1,096,651	6.10%	188.37%
Financial assets held for trading	350,061	1.87%	537,656	2.99%	(34.89%)
Financial assets not held for trading that must be valued at fair value with changes in income	388,964	2.08%	398,123	2.21%	(2.30%)
Financial assets at fair value with changes in the income statement	264,217	1.41%	148,519	0.83%	77.90%
Financial assets at fair value with changes in the other comprehensive income	1,009,469	5.39%	1,181,028	6.57%	(14.53%)
Financial assets at amortised cost	11,812,153	63.04%	13,098,368	72.87%	(9.82%)
Derivatives - Hedge accounting	34,125	0.18%	49,035	0.27%	(30.41%)
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	(7,408)	(0.04%)	(13,629)	(0.08%)	(45.65%)
Investments in jointly-controlled businesses and associates	97,738	0.52%	98,305	0.55%	(0.58%)
Assets covered under insurance and reinsurance contracts	45,050	0.24%	42,403	0.24%	6.24%
Tangible assets	446,539	2.38%	429,185	2.39%	4.04%
Intangible assets	358,256	1.91%	383,482	2.13%	(6.58%)
Tax assets	55,522	0.30%	61,017	0.34%	(9.01%)
Other assets	154,485	0.82%	162,008	0.90%	(4.64%)
Disposable non-current assets held for sale	566,002	3.02%	302,980	1.69%	86.81%
<b>TOTAL ASSETS</b>	<b>18,737,565</b>	<b>100.00%</b>	<b>17,975,131</b>	<b>100.00%</b>	<b>4.24%</b>
<b>Liabilities</b>	<b>2023</b>	<b>% s/ Total</b>	<b>2022</b>	<b>% s/ Total</b>	<b>Var. (%) 23-22</b>
Financial liabilities held for trading	164,586	0.88%	179,654	1.00%	(8.39%)
Financial liabilities at fair value with changes in the income statement	345,067	1.84%	415,816	2.31%	(17.01%)
Financial liabilities at amortised cost	15,305,633	81.68%	15,109,460	84.06%	1.30%
Derivatives - Hedge accounting	1,548	0.01%	1,889	0.01%	(18.05%)
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	18,101	0.10%	3,649	0.02%	396.05%
Liabilities covered under insurance and reinsurance contracts	530,827	2.83%	322,927	1.80%	64.38%
Provisions	52,192	0.28%	57,343	0.32%	(8.98%)
Tax liabilities	33,391	0.18%	26,495	0.15%	26.03%
Other liabilities	223,111	1.19%	206,145	1.15%	8.23%
Liabilities in groups of disposable items held for sale	366,586	1.96%	118,266	0.66%	209.97%
<b>TOTAL LIABILITIES</b>	<b>17,041,042</b>	<b>90.95%</b>	<b>16,441,644</b>	<b>91.47%</b>	<b>3.65%</b>
<b>Net Equity</b>	<b>2023</b>	<b>% s/ Total</b>	<b>2022</b>	<b>% s/ Total</b>	<b>Var. (%) 23-22</b>
Capital	190,565	1.02%	190,565	1.06%	-
Issue premium	122,304	0.65%	122,304	0.68%	-
Issued equity instruments other than capital	49,050	0.26%	33,950	0.19%	44.48%
Other cumulative results	(52,230)	(0.28%)	(82,696)	(0.46%)	(36.84%)
Accumulated profits	804,360	4.29%	778,819	4.33%	3.28%
Revaluation reserves	-	-	-	-	-
Other reserves	379,278	2.02%	364,091	2.03%	4.17%
Own shares (-)	(2,307)	(0.01%)	(2,307)	(0.01%)	-
Result attributed to majority shareholder	162,739	0.87%	113,277	0.63%	43.66%
Interim dividend (-)	-	-	-	-	-
<b>Shareholders' equity</b>	<b>1,653,759</b>	<b>8.83%</b>	<b>1,518,003</b>	<b>8.45%</b>	<b>8.94%</b>
<b>Minority interests</b>	<b>42,764</b>	<b>0.23%</b>	<b>15,484</b>	<b>0.09%</b>	<b>176.18%</b>
<b>TOTAL NET EQUITY</b>	<b>1,696,523</b>	<b>9.05%</b>	<b>1,533,487</b>	<b>8.53%</b>	<b>10.63%</b>
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>18,737,565</b>	<b>100.00%</b>	<b>17,975,131</b>	<b>100.00%</b>	<b>4.24%</b>

The figures for 2022 are given for comparative purposes only.

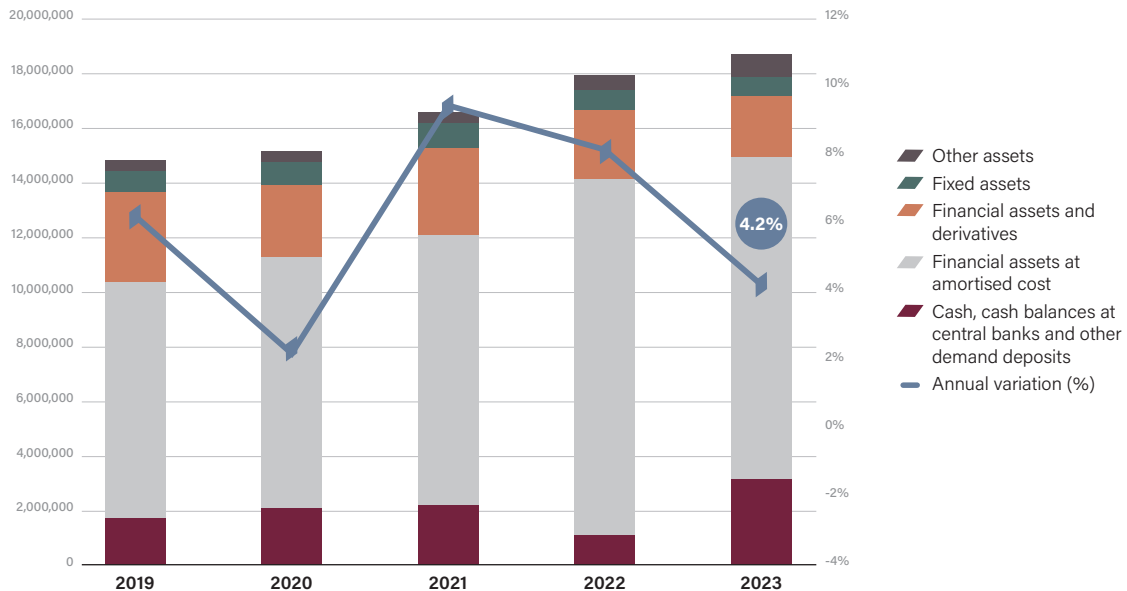
## AGGREGATE ASSETS

The three major components of the aggregate assets of Andorran banks are "Financial assets at amortised cost", which account for 63% 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 5% of total assets. The third component is "Cash, Cash at central banks and Other Sight Deposits" which accounts for 17% of total assets and includes "Cash and central banks, OECD, AFA and Financial Intermediaries".

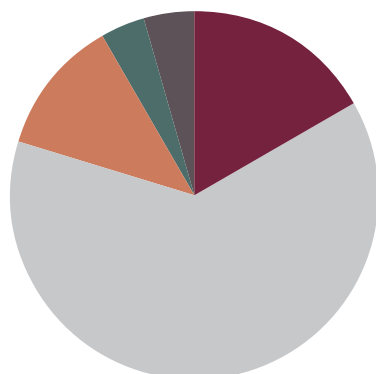
**The structure of the consolidated balance sheets of Andorran banks reflects the type of business they engage in, i.e. mainly private banking and asset management. Commercial banking is mainly developed in Andorra and gross credit investment accounts for 40% of total assets.**

### Evolution of aggregate assets 2019-2023

(Thousand euros)



### Composition of aggregate assets 2023



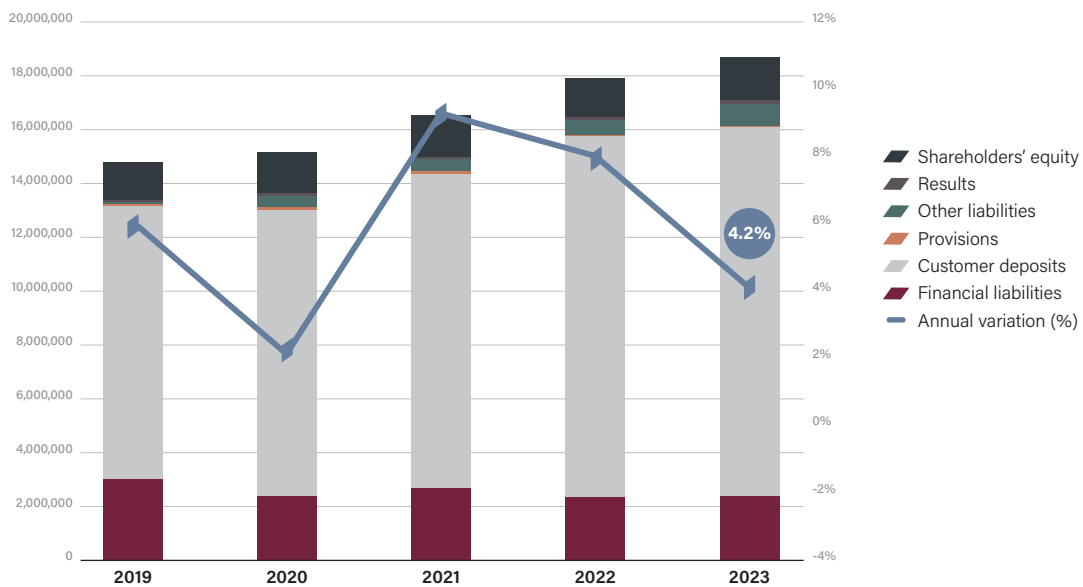
## AGGREGATE LIABILITIES

The composition of Andorran banks' aggregate liabilities is characterised by the significant relative weight of "Client deposits", which accounted for 73% of aggregate liabilities as at 31 December 2022. As at 31 December 2023, total "Client deposits" stood at 13,751 million euros, 2.22% more than the previous financial year, and were classified under the heading "Financial liabilities at amortised cost". "Shareholders' equity" accounts for 8.83% and "Results" for 0.9%.

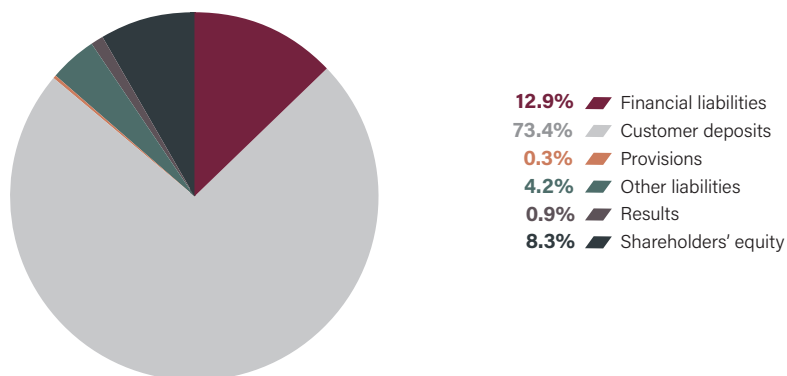
**The evolution of client deposits has been marked by changes in interest rates and, consequently, by developments in international capital markets, as well as by the expansion policy pursued by credit institutions.**

### Evolution of aggregate liabilities 2019-2023

(Thousand euros)

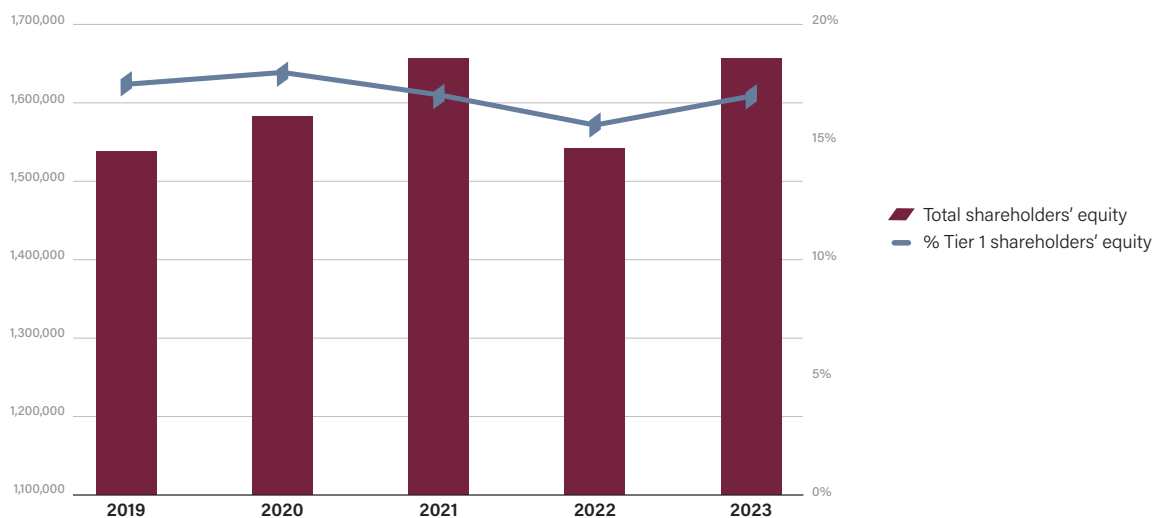


### Composition of aggregate liabilities 2023



### Evolution of Tier1 shareholders' equity and total shareholders' equity 2019-2023

(Thousand euros)



### GROSS CREDIT INVESTMENT

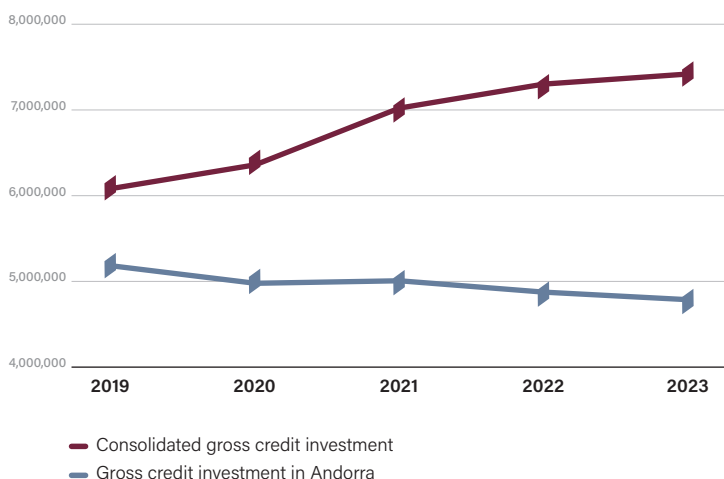
The evolution of gross credit investment has been marked mainly by the impact of the economic cycle and by the more prudent approach taken by credit institutions in granting loans in recent years.

Credit investment at 31 December 2023 stood at 7,428 million euros, up 2% on the previous year, basically as a result of the Lombard lending facilities granted to private banking clients.

In an environment marked by high interest rates, the sector has stepped up its efforts to support projects led by individuals and companies alike. While total credit investment in Andorra remained stable at around 5 billion euros, 664 new mortgages were granted to households for a total amount of 339 million euros, down 9.7% compared to 2022. New loans granted to companies and individuals totalled 707 million euros, a 5% increase over 2022.

### Evolution of credit investment and consolidated 2019-2023 in Andorra

(Thousand euros)



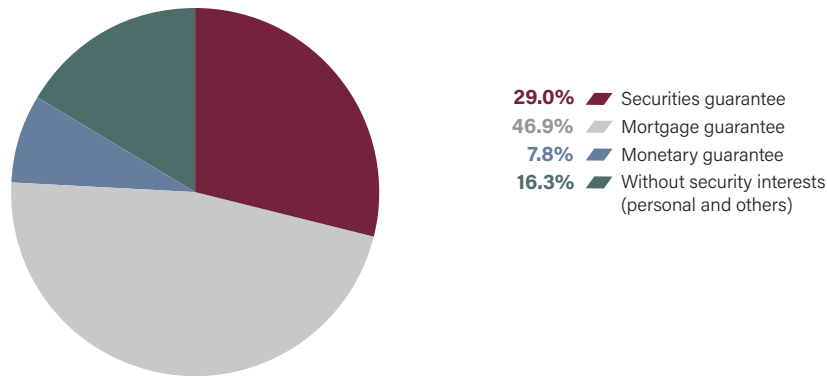
**In recent years, demand for credit investment has experienced limited growth for a variety of reasons, including the deleveraging process initiated by Andorran companies and the professionalisation of the sector, which has led companies to finance new projects with their own funds.**

**Mortgages granted to households for the purchase of a home fell by 14% as a result of the increase in interest rates and the evolution of housing prices.**

Risk exposure is managed and monitored closely based on regular checks of borrowers' creditworthiness and their ability to meet their repayment obligations, adjusting the exposure limits set by each counterparty and using the provision of collateral and guarantees

in favour of borrowers. As far as guarantees are concerned, the total credit investment granted with real collateral is 84%. Of these, 29% are securities collateral, 47% are mortgage guarantees and 8% are cash collateral.

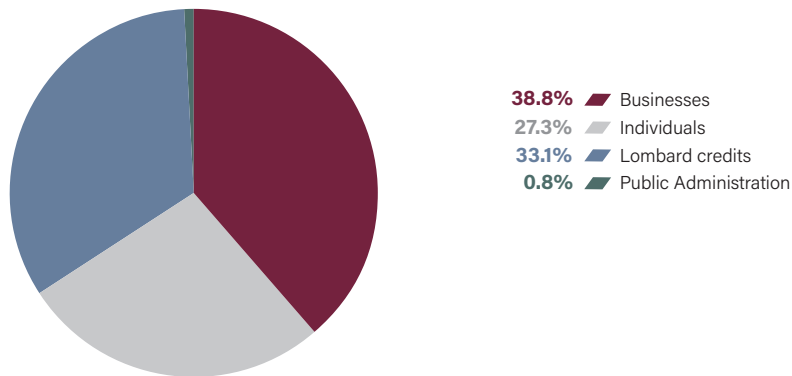
### Credit investment guarantees 2023



The distribution of the credit portfolio is very similar to that of recent years. Credit is distributed as follows: 39% for companies, 27% for individuals, 33% for

private banking clients with securities guarantee and 1% for the public administration.

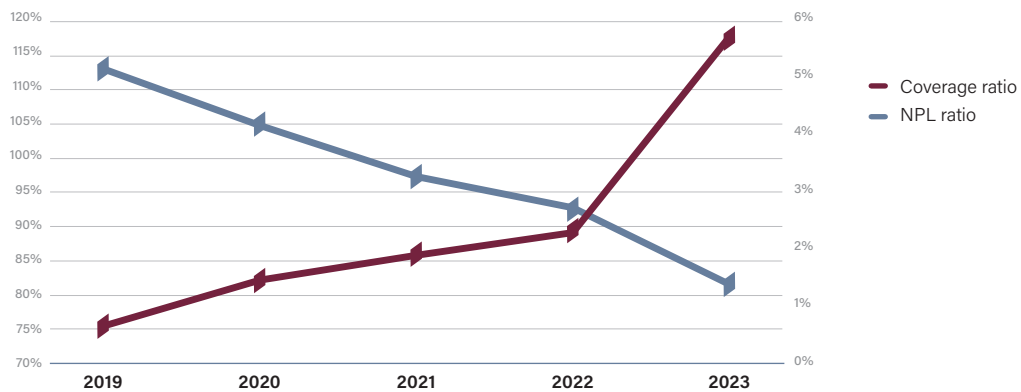
### Aggregate gross credit investment - Consolidated bank 2023



With respect to credit quality, credit exposures are classified according to credit risk at the following stages: Stage 1 is 89.5% for transactions that do not present significant increases in risk, Stage 2 is 8.4% for transactions that present significant increases in risk, and Stage 3 is 2.1% for transactions that present reasonable doubts as to their full repayment. The rate at 31 December 2023 was 2.1%.

**Rates have fallen to a historic low of 2.1% and the coverage ratio has increased to 117.91% of doubtful assets, thanks to the efforts made by the sector in recent years in terms of provisions.**

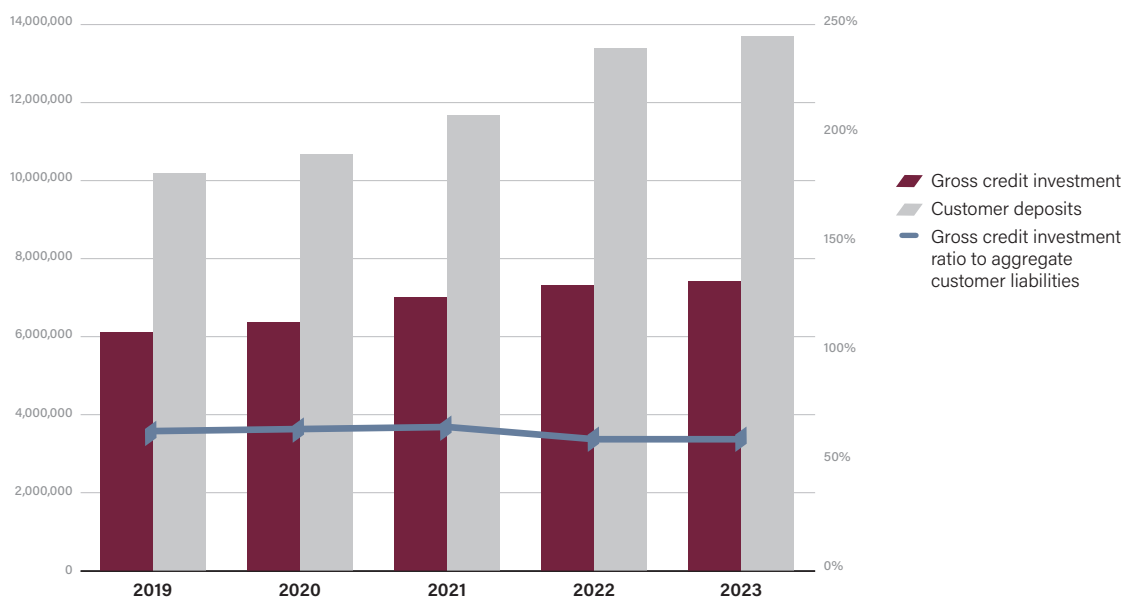
### Evolution of the NPL ratio and the coverage ratio 2019-2023



The aggregate gross credit investment ratio to loans to deposit remains above 50%, a distinguishing feature of private banking. It should be noted that the average rate for European banks is 107.1%, double that of Andorran banks, a sign of the liquidity available to Andorran banks.

### Evolution of the gross credit investment ratio to aggregate customer liabilities 2019-2023

(Thousand euros)



## AGGREGATE ASSETS UNDER MANAGEMENT

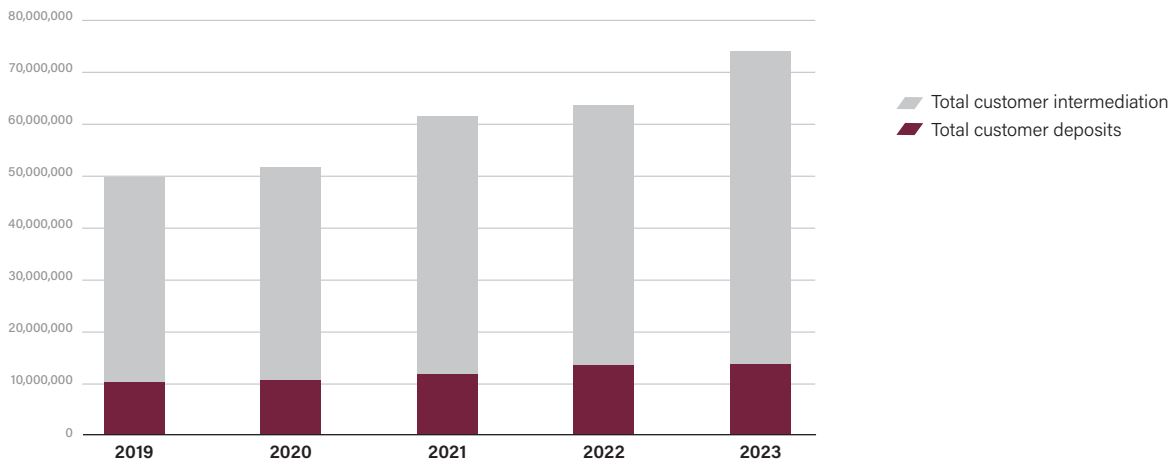
In addition to commercial banking, the business lines of Andorran banks include private banking and asset management.

Thus, the total resources managed by Andorran banks are made up of client deposits (balance sheet), which account for 19% of the total, and client intermediation, both custodial and noncustodial (off-balance sheet),

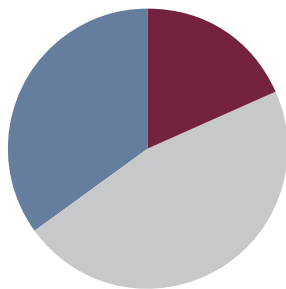
which accounts for the remaining 81%. As at 31 December 2023, assets under management totalled €74,187 million, 16% more than in 2022. Client deposits amounted to €13,751 million as at 31 December 2023, 2% more than the previous year, and off-balance sheet resources increased by 20%, which clearly demonstrates the sector's growth.

### Evolution of aggregate assets under management 2019-2023

(Thousand euros)

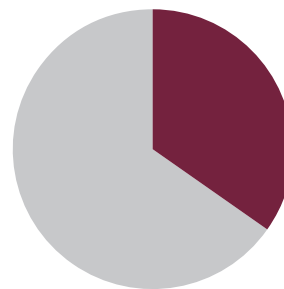


### On- and off-balance-sheet assets under management 2023



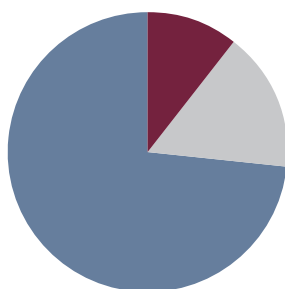
18.5% Customer deposits  
46.7% Customer intermediation (suspense accounts)  
34.8% Other assets under management

### Assets under management deposited by the institution or by third parties 2023



34.8% Assets under custody / deposited by third parties  
65.2% Assets under custody / deposited by the institution

### Assets under management by customer type 2023



10.7% Undertakings for Collective Investment  
16.1% Portfolio of individual customers managed under a mandate  
73.2% Other individual customers

## CONSOLIDATED AGGREGATE PROFIT AND LOSS ACCOUNTS OF ANDORRAN BANKS

(Thousand euros)

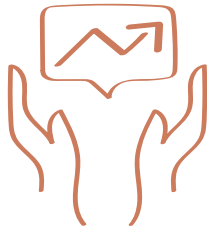
	2023	2022	Var. (%) 23-22
Interest income	480,004	195,528	145.49%
Interest expenses	(173,985)	(49,721)	249.92%
Dividend income	1,205	1,634	(26.25%)
<b>Interest margin</b>	<b>307,224</b>	<b>147,441</b>	<b>108.37%</b>
Commissions earned	418,071	425,750	(1.80%)
Commissions paid	(131,129)	(121,924)	7.55%
<b>Base margin</b>	<b>594,166</b>	<b>451,267</b>	<b>31.67%</b>
Gains or losses when writing off financial assets and liabilities not valued at fair value with changes in income (net)	624	4,899	(87.26%)
Results of enterprises carried using the equity method	229	575	(60.17%)
Results from financial transactions	51,435	73,871	(30.37%)
Results on assets and liabilities covered under insurance and reinsurance contracts	-	-	-
Other operating income	12,463	29,105	(57.18%)
Other operating expenses	(14,378)	(16,653)	(13.66%)
Other income and expenses from assets and liabilities used for insurance or reinsurance contracts	5,296	35	N/A
<b>Operating profit or loss net</b>	<b>649,835</b>	<b>543,099</b>	<b>19.65%</b>
Administrative expenses	(409,731)	(392,702)	4.34%
Staff costs	(246,361)	(238,711)	3.20%
Other general administrative expenses	(163,370)	(153,991)	6.09%
Amortisation	(59,805)	(60,730)	(1.52%)
Provisions funded (net)	(850)	(2,200)	(61.36%)
Net impairment of financial assets not recognised at fair value with changes in profit and loss	13,277	12,696	4.58%
Net impairment of investments in jointly-controlled companies or associates	36	(776)	(104.64%)
Net impairment of non-financial assets	(4,690)	(320)	N/A
Negative goodwill recognised in income	-	7,501	-
Participation in gains or losses from investments in subsidiaries, joint ventures and associates	(1,447)	10,557	(113.71%)
Gains or losses from non-current assets and disposal groups classified as held for sale not admissible as discontinued operations	(2,086)	1,052	(298.29%)
<b>Profit before tax</b>	<b>184,539</b>	<b>118,177</b>	<b>56.15%</b>
Corporation tax	(21,243)	(5,034)	321.99%
<b>Results for the year from continuing operations</b>	<b>163,296</b>	<b>113,143</b>	<b>44.33%</b>
Results from discontinued operations (net)	(25)	(87)	(71.26%)
<b>Profit/(loss) for the year</b>	<b>163,271</b>	<b>113,056</b>	<b>44.42%</b>
<b>Attributed to majority shareholders</b>	<b>162,739</b>	<b>113,277</b>	<b>43.66%</b>
<b>Attributed to minority shareholders</b>	<b>532</b>	<b>(221)</b>	<b>(340.72%)</b>

The figures for 2022 are given for comparative purposes only.

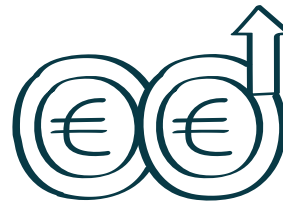
**Andorran banks achieved profits of 163 million in 2023, up 44% on the previous year due to the boost in income driven by the increase in interest rates. The banks' business model is evidence of the resilience and sustainability of Andorran banks, with a profitability rate of 10.38%.**

The improved interest margin resulting from the rise in the European Central Bank's interest rates benefited the basic margin of credit institutions with a 31.67% increase. The lower needs for provisions made during the year and the moderation in the growth of expenditure also explain this rise in profits.

The volume of provisions made in previous years, together with the reduction in credit default and positive economic developments over the course of 2023, have made it possible to reduce the amount of allocations and provisions.



**The 2023 aggregate result for the sector amounts to 163 million euros**

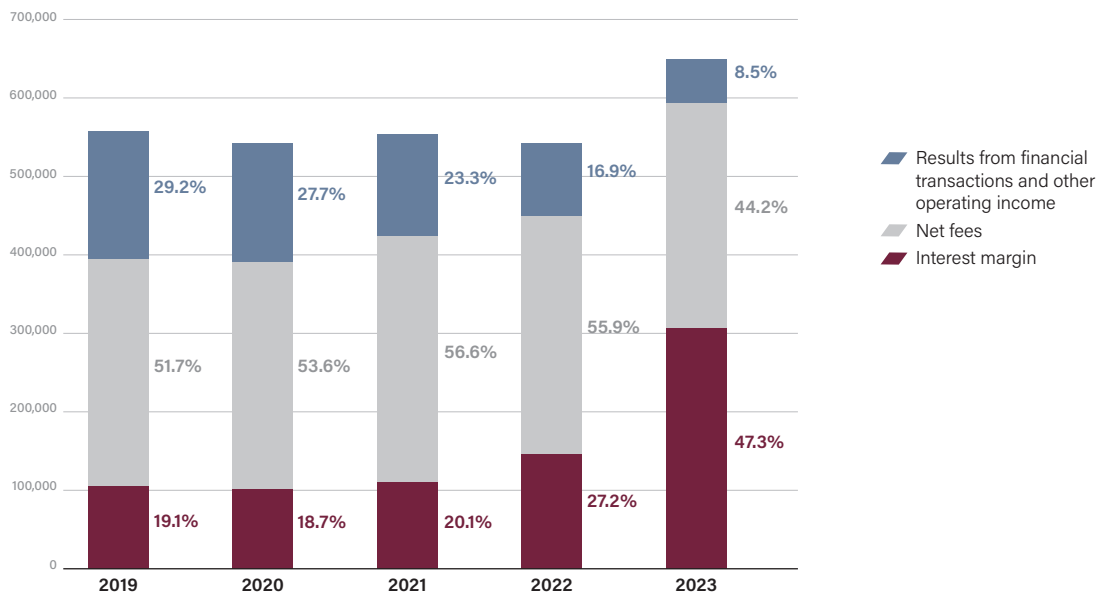


**The banking sector ended the year 2023 with a ROE of 10.38%**

## EVOLUTION OF THE ANDORRAN BANKING SECTOR'S INCOME STATEMENT

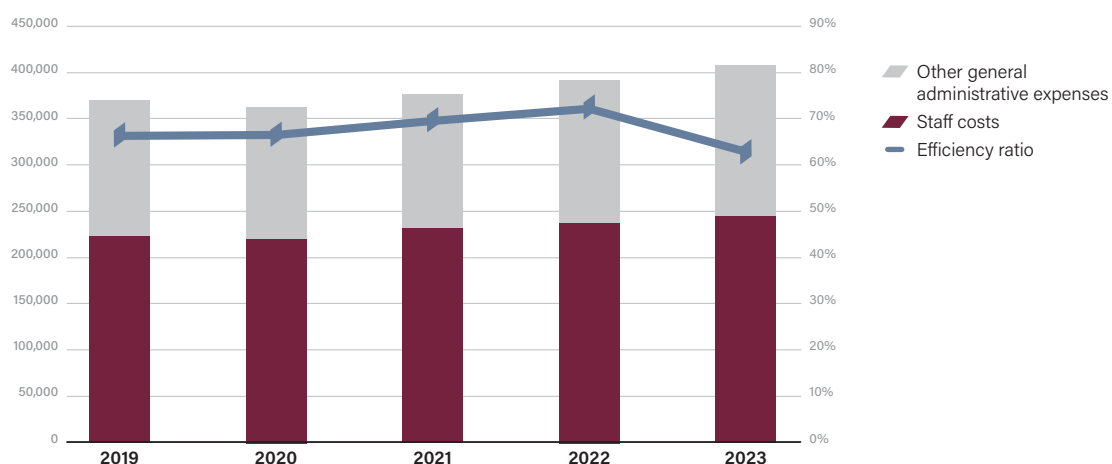
### Evolution of net aggregate operating results and composition 2019-2023

(Thousand euros)



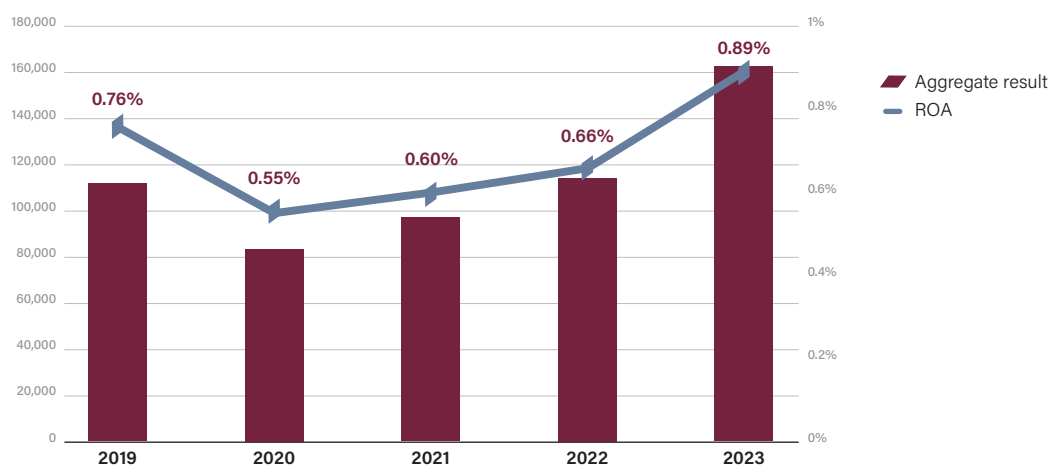
### Evolution of composition of transformation costs and efficiency ratio 2019-2023

(Thousand euros)



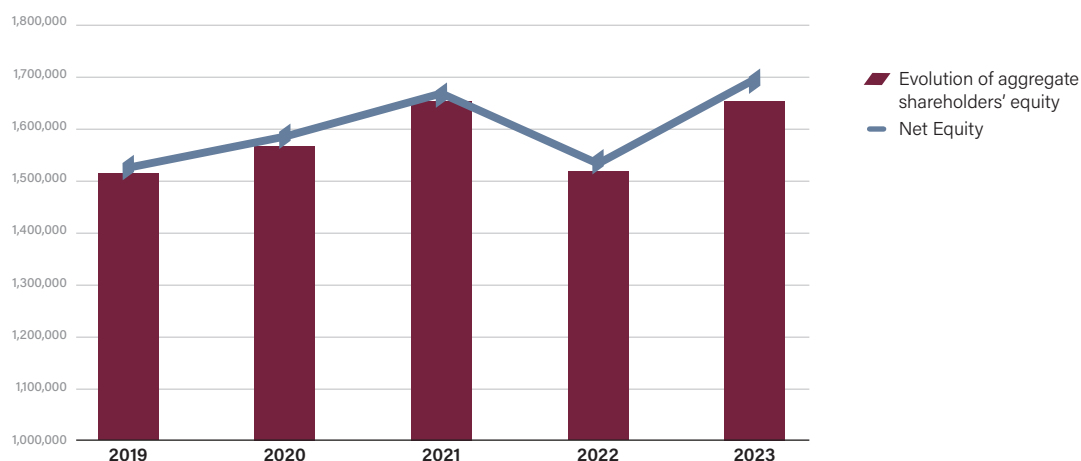
### Evolution of aggregate result and ROA 2019-2023

(Thousand euros)



### Evolution of equity and aggregate shareholders' equity 2019-2023

(Thousand euros)



## SOLVENCY AND LIQUIDITY

Andorran banks maintained strong capitalisation with a CET1 (phase-in) solvency ratio of 17% at 31 December 2023, slightly higher than that of the previous year (15.76%), and above the average for European banks, which stood at 15.9% according to EBA data from December 2023.

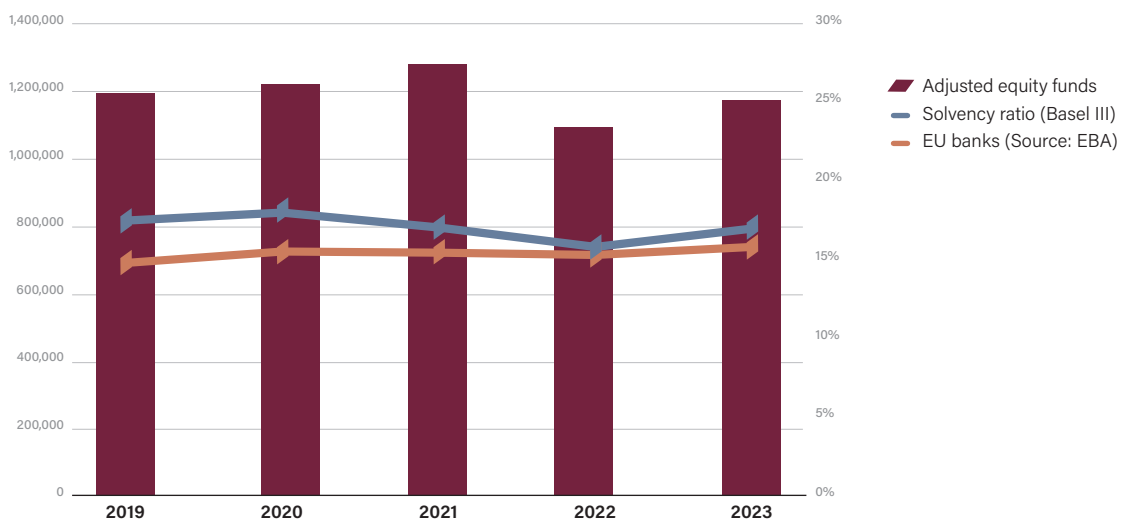
The liquidity ratio (LCR) is 228.33%, much higher than the minimum of 100% set by European regulators and above the average for European banks, which stood at 160% at the 4th quarter of 2023.

### Solvency - Liquidity according to Basel III

	CET1 Solvency (Regulatory)		Liquidity (Liquidity coverage ratio)	
	2022	2023	2022	2023
ANDBANK GROUP	14.32%	15.36%	234.02%	290.18%
MORABANC GROUP	18.47%	21.21%	294.14%	299.08%
CREAND GROUP	15.39%	16.04%	157.71%	155.92%
<b>AGGREGATE RATIO</b>	<b>15.76%</b>	<b>17.00%</b>	<b>201.29%</b>	<b>228.33%</b>

### Evolution of solvency ratio and adjusted equity 2019-2023

(Thousand euros)



Both the Andorran Deposit Guarantee Fund and the Andorran Investment Guarantee System, regulated by Law 20/2018 transposing European directives 2014/49/EU and 97/9/EC, provide alignment with the

European Union as regards the protection of holders of deposits with credit institutions and investments at credit institutions and investment firms in the Principality of Andorra.

## Return on equity (ROE)

	2022	2023
ANDBANK GROUP	5.05%	6.19%
MORABANC GROUP	10.90%	14.17%
CREAND GROUP	8.09%	12.78%
<b>AGGREGATE RATIO</b>	<b>7.57%</b>	<b>10.38%</b>

## Return on assets (ROA)

	2022	2023
ANDBANK GROUP	0.47%	0.51%
MORABANC GROUP	0.89%	1.24%
CREAND GROUP	0.69%	1.13%
<b>AGGREGATE RATIO</b>	<b>0.66%</b>	<b>0.89%</b>

## RATINGS

Another indicator of banks' solvency are the ratings published by specialist agencies.

	Rating		Agency
	Long-term	Short-term	
ANDBANK GROUP	<b>BBB</b>	<b>F3</b>	Fitch Ratings
MORABANC GROUP	<b>BBB-</b>	<b>F3</b>	Fitch Ratings
CREAND GROUP	<b>BBB-</b>	<b>F3</b>	Fitch Ratings

Ratings as at October 2023.

# 5

## Financial regulations

The banking sector is a highly regulated industry that has undergone a transformation process in line with European financial regulations. Andorran banks enjoy sound solvency and liquidity ratios which are above the average for European banks.



## Information on relevant topics



### Update

#### Association Agreement

Negotiations of the Association Agreement between the EU and Andorra were completed on 12 December 2023. The English version has been published on the European Commission's website and is awaiting a binding referendum scheduled for early 2025.

The Association Agreement with the EU will entail the application of the principles of free movement of goods, persons, services and capital, as part of the internal market of the European Union. An equivalent framework will be available with the EU that will provide new opportunities for businesses and citizens in the form of growth and diversification of the Andorran economy.

As a strategic sector and pillar of Andorra's economy, Andorran Banking has reviewed the resources and knowledge of the sector and made them available to the Andorran government, in order to achieve balanced and realistic conditions of market access that enable a strong, solvent and competitive national banking sector.

#### Creation of international reserves and access by the financial system to emergency liquidity assistance

On 24 November 2022, the General Council approved **Law 36/2022 on the creation of international reserves and access by the financial system to emergency liquidity assistance**.

This law aims to develop an instrument that will make Andorra more resilient in the event of a liquidity shock in the financial sector. It also aims to respond to a need repeatedly identified both by the financial sector and by rating agencies and other international bodies to develop a lender of last resort mechanism that can provide assistance in the form of emergency liquidity

for those credit institutions that, despite being solvent, may exceptionally require such temporary liquidity assistance.



**This instrument provides Andorra with greater resilience in the event of a liquidity shock in the financial sector.**

The law structures a lender of last resort mechanism based on international reserves that replicates the emergency liquidity assistance model of the European Central Bank, meaning that it meets international standards.

#### Digital assets and blockchain

With the aim of creating the optimal conditions for Andorra to become a particularly suitable location for innovative companies, especially those linked to blockchain technology, on 30 June the General Council approved **Law 24/2022 on the digital representation of assets through the use of cryptography and distributed open registry and blockchain technology**.

This law offers a balance between innovation, the market, society's preferences, technological development and the current legal framework, ensuring strict compliance with the basic pillars of the rules governing the functioning of the capital market in terms of the protection of personal data, electronic procurement,

investor protection, market abuse, legislation on the prevention and fight against money laundering and the financing of terrorism, among others.

- **Review of the ML/FT risks arising from virtual assets**

In January 2024, the UIFAND launched a risk review to assess the ecosystem of virtual assets in Andorra following the emphasis placed by international organisations on the risks of money laundering and terrorist financing derived from new technologies in the financial sphere. The methodology used for this review is that developed by the World Bank, which follows the recommendations issued by the Financial Action Task Force (FATF).



**A review of the ML/FT risks arising from the use of virtual assets was conducted in 2024.**

## Cybersecurity

On 9 June 2022, the General Council approved **Law 22/2022 on measures for the security of networks and information systems**. Andorra's geopolitical situation, the growing dependence of the economy on national and cross-border information systems and networks, and the potential synergies in the prevention of threats and the challenges posed by cyber-incidents have led to the need to adopt the European legislation contained in Directive (EU) 2016/1148 of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union. The law also takes into consideration the European Commission's Proposal COM (2020) 823 final on measures for a high common level of cybersecurity across the Union, repealing Directive (EU) 2016/1148.

Subsequently, in October 2022, the Government passed the regulatory implementation of the Cybersecurity Act. In particular, the primary objective of the Regulations of the National Security Plan (ENS-AD) and Critical Infrastructure of the Principality (RIC-AD) is to establish standards for and ensure the systematic application of security measures that guarantee appropriate protection of the information processed and the services provided by the various

organisations that provide services that are essential or important for the country. Moreover, they regulate the procedures required to improve the resilience of critical organisations, which not only provide an essential service but also use critical infrastructure that cannot be replaced in the event of a malfunction.

## Personal data protection (European GDPR regulation)

On 28 October, the General Council approved **Law 29/2021 on the protection of personal data** (LQPD) with the aim of adopting the new provisions established in this matter by European Regulation 2016/679 (General Data Protection Regulation, "GDPR") and Directive (EU) 2016/680.

Subsequently, the Government passed Decree 368/2022 of 14 September 2022, which approved the Regulations of the Andorran Data Protection Agency. It also passed Decree 391/2022 of 28 September 2022, which approved the Implementing Regulations of Law 29/2021 of 28 October on the protection of personal data.

In the context of the new challenges posed by unstoppable technological progress and globalisation, the Andorran legislator has updated the country's data processing regulations, which both individuals and private and government organisations are required to implement when processing data relating to individuals.

## International Monetary Fund

Continuing in the path taken by the Principality of Andorra in recent years, one of transformation and evolution towards transparency and official recognition, with greater involvement in the international arena, in October 2020 Andorra became the 190th member of the international body.



**Andorra has been a member of the IMF since 2020.**

## Balance of payments

The balance of payments is a statistical tool that systematically records all economic transactions over

a period of time between a country and the rest of the world. It was first published in Andorra in 2021.

(Million euros)	2022
<b>Current account balance</b>	<b>553.82</b>
1. Trade balance	-1,505.85
2. Services balance	1,787.13
3. Income balance	317.99
4. Transfers balance	-45.44
<b>Capital account balance</b>	<b>-0.50</b>
<b>Capacity (+) / financing needs (-)</b>	<b>553.32</b>
<b>% financing capacity BP / GDP</b>	<b>17.2%</b>

Source: Department of Statistics of the Andorran Government.

By analysing in detail the data provided by the various sources of information, including the country's financial institutions, registration offices or government agencies, it is possible to observe characteristics and to assess the state of the Andorran economy, such as the fact that the country is an exporter of services, an importer of goods and that it currently attracts foreign investment.

The result of the balance of payments shows that Andorra had an international financing capacity of €553.32m in 2022, a figure that represents 17.2% of Andorra's GDP and places the Principality among the countries in the world with the greatest international financing capacity in relation to GDP.



**Andorra has an international financing capacity of €553.32m, a figure that represents 17.2% of Andorra's GDP**

### International sanctions

Both Law 5/2022, of 3 March, on the application of international sanctions and Decree 111/2022, of 25 March, on restrictive measures in relation to the conflict between Ukraine and the Russian Federation and its successors were approved, with the aim of providing legal coverage for the application of sanctions against individuals and companies, in order to block their accounts or prevent them from trading with financial

institutions in Andorra, as well as becoming a reference framework in the application of international sanctions emanating from bodies such as the United Nations or the European Union.

Restrictive measures can directly or indirectly affect trade in goods, services, payments and capital, and can be used to block financial assets as well as scientific, technological, sporting and cultural exchanges. These measures will apply to both natural and legal persons, as well as to those states that operate in Andorran territory.

### Digital transformation

The Andorran banking sector's transition to digitalisation has made it possible to improve its operational efficiency, strengthen cybersecurity and offer more tailored services, and enhance its users' experience.

The main reasons for embarking on this transformation process have been the willingness of banks to adapt to changes in their customers' habits and to deal with the new challenges and the emergence of new competitors. The COVID-19 crisis has revealed the benefits of the digital transformation initiated by Andorran banks.

The keys to the successful digital transformation of organisations are becoming clearly customer-oriented, while necessarily adopting emerging technologies and adapting their organisational structures to make them more agile, receptive and reactive to changes. This transition must also go hand-in-hand with coordinated integration of new technologies with their preexisting systems and appropriate preservation of privacy and data security.

At a national level, the Government, led by the Secretary of State for Digital Transformation and Strategic Projects, has drawn up a holistic transformation plan that sets out the most important actions to be carried out over the coming years in terms of digitalisation.

This programme is linked to the government's Strategic Plan H23, which prioritises the country's economic and social growth.

In this area, the banking sector is contributing to increasing the productivity of the Andorran corporate world by financing companies and businesses seeking to move towards digitalisation, boosting the country's entrepreneurial ecosystem and opening it up to new digital sectors.

### Sustainability

Through its strategic role in the economy, the banking sector is driving forward and leading the transformation and sustainable development of companies and individuals. It is actively working to align itself with

trends related to sustainability and social responsibility in its investment and advisory decisions.

Accordingly, Andorran banks are committed to promoting valuable incentives to respond to future challenges through a dual approach:

1. Helping companies and the general public transition to reducing their CO2 footprint through new bank financing.
2. Redirecting capital to projects in line with the Paris Agreement and offering sustainable alternatives for their customers' financial decisions.

Andorran banks are thus active participants in the transformation and sustainable progress of businesses and companies in the country. They are making an effective contribution to achieving the objectives set by the Government through the National Strategy for Energy and Combating Climate Change, which is the instrument that plans, coordinates and streamlines the actions, measures and projects to combat climate change. These objectives are as follows:

- Medium-term objective (2030):  
Cut unabsorbed emissions by 37%.
- Long-term objective (2050):  
Carbon neutrality.

In the current context of the fight against climate change and the transition to sustainability, this strategy's main goal is to achieve a balance between greenhouse gas (GHG) emissions and absorption, including additional offsetting measures that make it possible to achieve the national and international targets by 2050.

## Banking regulations

### Deposit guarantee and investor compensation schemes

In 2018, the Principality of Andorra transposed Directive 2014/49/EU on deposit guarantee schemes and Directive 97/9/EC on investor-compensation schemes by approving **Law 20/2018 of 13 September, which regulates the Andorran Deposit Guarantee Fund and the Andorran Investment Compensation Scheme.**

This transposition led to the European adaptation of the regime that had already existed in Andorra since 2011 regulated by Law 1/2011 on the creation of a deposit guarantee system for banks and the standardisation with the European Union of the protection of deposit holders and investors in banks and financial institutions in the Principality of Andorra.

Like the Directive, Andorran law establishes a transitional period during which banks that are members of the Deposit Guarantee Fund (Fagadi) must make annual contributions to be determined by their Managing Commission. By 30 June 2024 they are required to have ex-ante financial resources in an amount equivalent to 0.8% of the guaranteed deposits.

Banks authorised to operate in the Principality of Andorra are obliged to be members of the Fagadi, and all depositors with balances in Andorran banks who are natural persons or legal entities, regardless of nationality or place of residence, are beneficiaries.

## Sustainable growth

Banking acts as a nexus for meeting the challenges of the 21st century



### Transparency and accountability

To commit to transparency, taking responsibility for our impacts, both positive and negative, and for our contribution to society's goals.



### Government and objectives

To implement our commitments through effective governance systems and to set targets for our most significant impacts.



### Stakeholders

To consult, engage and collaborate with relevant stakeholders so as to achieve society's goals.



### Clients

To work responsibly with a view to generating prosperity that is shared by both current and future generations.



### Impact

To continuously increase our positive impacts and reduce the negative ones.



### Commitment

To align our business strategy with society's goals, as set out in the SDGs, the Paris Agreement and other frameworks.



**Following what is set at European level, the guaranteed deposit amount is limited to €100,000.**

Fagadi's ex-ante resources must reach 0.8% of the guaranteed deposits by 30 June 2024. In addition, starting on this date, banks will continue to make annual contributions to the ex-ante fund in order to raise the financial resources to 1.6% within eight years from 2024. This percentage far exceeds the 0.8% generally required by the Directive and the 0.5% target allowed for highly concentrated banking systems such as the Andorran one.

The Andorran investment compensation scheme ("Sagi") is an ex-post guarantee system whose members, aside from banks, also include investment firms and management companies of collective investment undertakings.

The coverage limit is €100,000 per investment holder, which is more than the €20,000 established in the Directive.



**Under Andorra's investment guarantee system (Sagi), the coverage limit is €100,000 per investment holder, which is more than the €20,000 level set forth in the Directive.**

## Banking Recovery and Resolution (BRRD1)

Directive 2014/59/EU regulating the framework for the recovery and resolution of credit institutions and investment firms (BRRD1) was partially incorporated into Andorran law in 2015 by means of Law 8/2015 of 2 April on urgent measures to implement mechanisms for restructuring and resolution of banking institutions.

The Law 7/2021 of 29 April on the recovery and resolution of banks and investment firms repeals the previous law, supplements the transposition of BRRD1.

The basic objectives are to enable the resolution of any financial institution in an orderly manner, without serious systemic disruption, and to minimise, to the extent possible, the risk to taxpayers by protecting functions that are critical to financial markets and the real economy, ensuring the assumption of losses by the shareholders and creditors of the entity in crisis.

It is important to add that these entities must ensure that, in the event of difficulties, they have a sufficient buffer between capital and the guaranteed deposits that can be used to recapitalize internally, without the taxpayers being affected or depositors being compromised. The BRRD1 calls this buffer the Minimum Requirements for Eligible Liabilities (MREL) and it is required of all entities.

This parameter is an additional and supplemental layer to the capital, liquidity and leverage requirements in an effort to ensure the feasibility and credibility of the internal recapitalization instrument, the bail-in.

## Solvency (CRD IV and CRR)

2018 was an intense year for the Andorran financial sector due to the work involved in transposing the "CRD IV Package" which, on the one hand, includes Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and EU Regulation no. 575/2013 (CRR); and on the other hand, decrees transposing the European Commission's acts as well as the technical communications from the Andorran supervisory body, the Andorran Financial Authority.

The aim of **Law 35/2018 of 20 December on the solvency, liquidation and prudential supervision of credit institutions and investment firms** 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, as well as 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.

## MiFID, market abuse and financial collateral arrangements

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

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, an amendment of Law 8/2013 is necessary to comply with all of these directives and their implementing regulations.

On 15 February 2019, the Law 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 was approved.

The amendments introduced mark a step forward 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 execution, conflicts of interest, client asset protection, recordkeeping and markets.

Recently, on 16 November 2023, the Organisation and Operation of Financial System Operating Institutions and Market Abuse Bill was introduced to Parliament. Its aim is to update the aforementioned regulations again to seek to align them with the MiFID II Directive. In particular, this bill imposes new obligations regarding advice, portfolio management, suitability and eligibility, product governance, customer information, incentives and pay, conflicts of interest, asset safeguarding, recordkeeping, improved execution, and internal control.

## Payment services (PSD1 and PSD2)

Under the Monetary Agreement, Andorra has transposed 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.

The main purpose of 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 (**Law PSD2**).

## 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 payments.

On 5 March 2019, the credit institutions of the Principality of Andorra adhered to SEPA following accession by Andorra on 1 March 2019.



**Andorra's credit institutions are part of the SEPA area.**

## Insurance

The Insurance and Reinsurance Law 12/2017 of the Principality of Andorra was passed in June 2017, and the regulation that completes the first part of the process of adaptation of Andorran law to the European Union's new insurance regime was adopted in December of the same year.

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 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.

## Tax framework

### Automatic Exchange of Information in tax matters

In 2014, and with the aim of fighting tax evasion and promote tax compliance, the OECD approved the Common Reporting Standard (CRS), a global standard for the automatic exchange of information in tax matters between jurisdictions (AEOI). This standard lays down how the competent authorities of the countries that have signed up to the CRS automatically exchange information on financial accounts every year.

In 2014, Andorra committed to implementing the CRS, and in 2016 it signed an AEOI agreement with the EU that incorporates the CRS standard.

At a national level, Law 19/2016 was passed to regulate the legal framework required to fulfil the AEOI commitment.

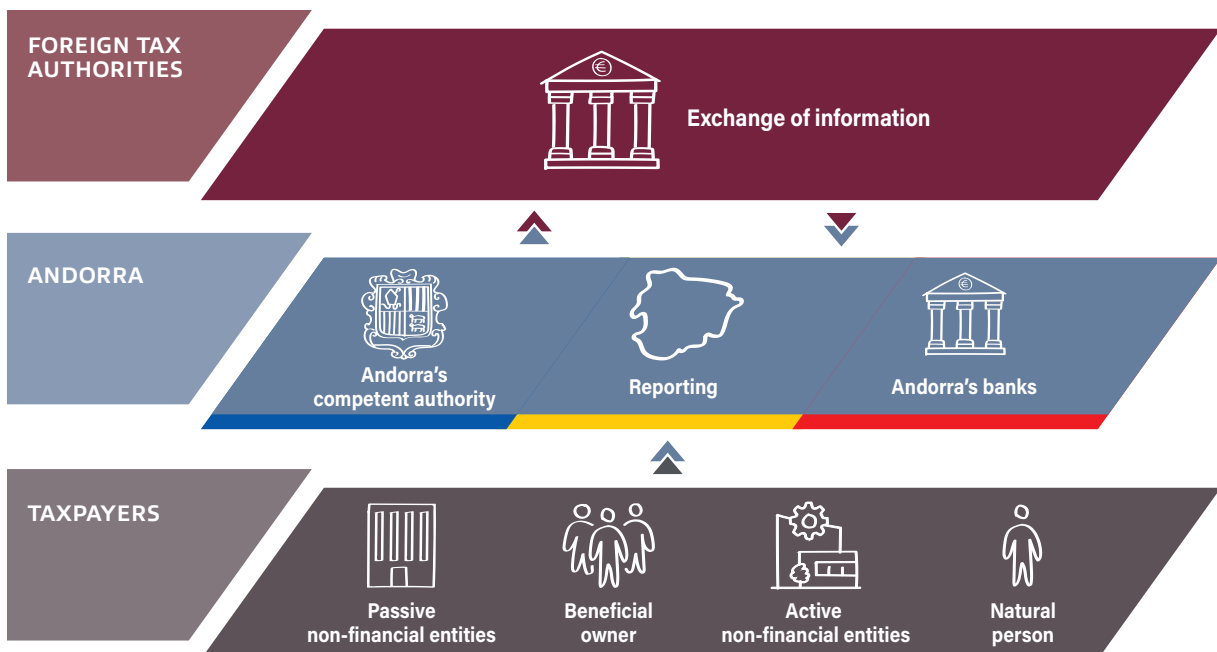
In 2023, the Automatic Exchange of Information (AEOI) team at the Global Forum (OECD) began its second round of peer reviews. As a result, in November 2023, the peer review team carried out the corresponding on-site visit to assess the effectiveness and understand the organisational and technical structure of both the authorities responsible for this exchange framework and the financial sector.

### BEPS

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. In the Principality, the MLI came into force on 1 January 2022.

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.

## Prevention of money laundering and terrorist financing

The prevention and fight against money laundering and terrorist financing is a national priority that involves the adoption of legislative initiatives on a regular basis, taking into account the evolution of the standards adopted by international bodies, such as the FATF and Moneyval, and the commitments to transpose European Union regulations derived from the Monetary Agreement between the Principality of Andorra and the European Union.

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 of the Council of Europe (Moneyval). 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").

### Code of Ethics

On 19 July 2022, the General Assembly of the Andorran Banks' Association approved an update to its Code of Ethics. The update responds to changes in regulations and includes major professional conduct recommendations in line with the latest international standards. It is consistent with the Andorran legal framework and complements the legislation on the prevention of money laundering and the financing of terrorism, data protection, investor protection and tax transparency.

The purpose of the Code of Ethics, which was approved 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.



**In 2022, the General Assembly of the Andorran Banks' Association approved an update to its Code of Ethics.**

### Register of financial and similar accounts

In December 2021, Law 37/2021 of 16 December, amending the Prevention and Combating of Money or Securities Laundering and Terrorism Financing Law 14/2017 of 22 June was passed. Among other matters, it created the Register of Financial and Similar Accounts, in which banking, payment and electronic money institutions operating in the Principality of Andorra must declare the identification details of the holders or beneficial owners of payment accounts, bank accounts identified with an IBAN number, and safe deposit box rental agreements.

Subsequently, in February 2024, Decree 64/2024 of 14 February 2024 was published, which approved the Regulations of the Register of Financial and Similar Accounts, run by the ministry responsible for finance, which mainly regulates:

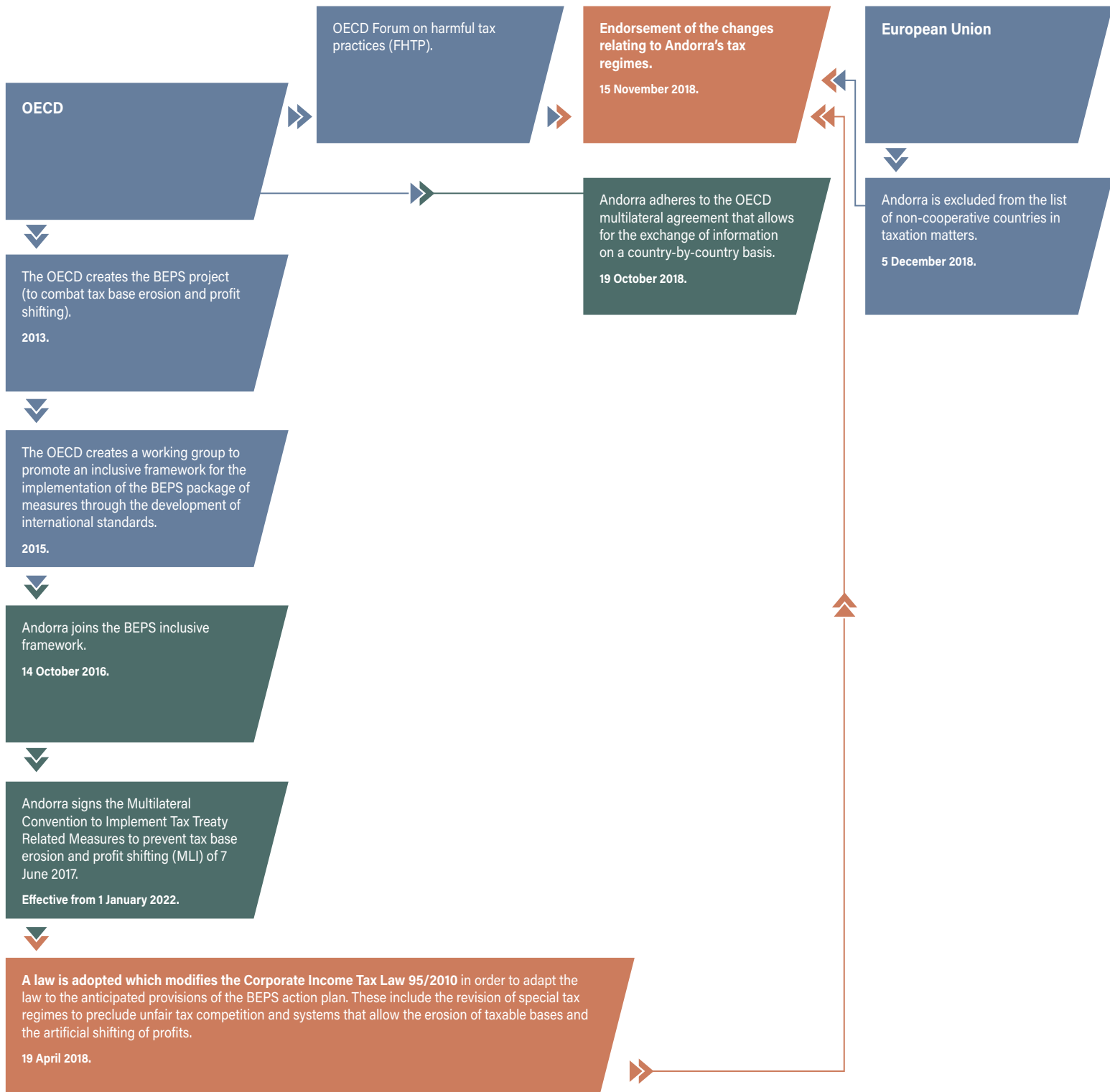
- a) The scope of the requirements for information in the register data.
- b) The terms and frequency of filing with the register.
- c) The competent authorities that have access to the information in the register data.
- d) The scope of the requirements for the competent authorities to access the information in the register data.

# Legislation: Andorra's regulatory framework

## Tax framework

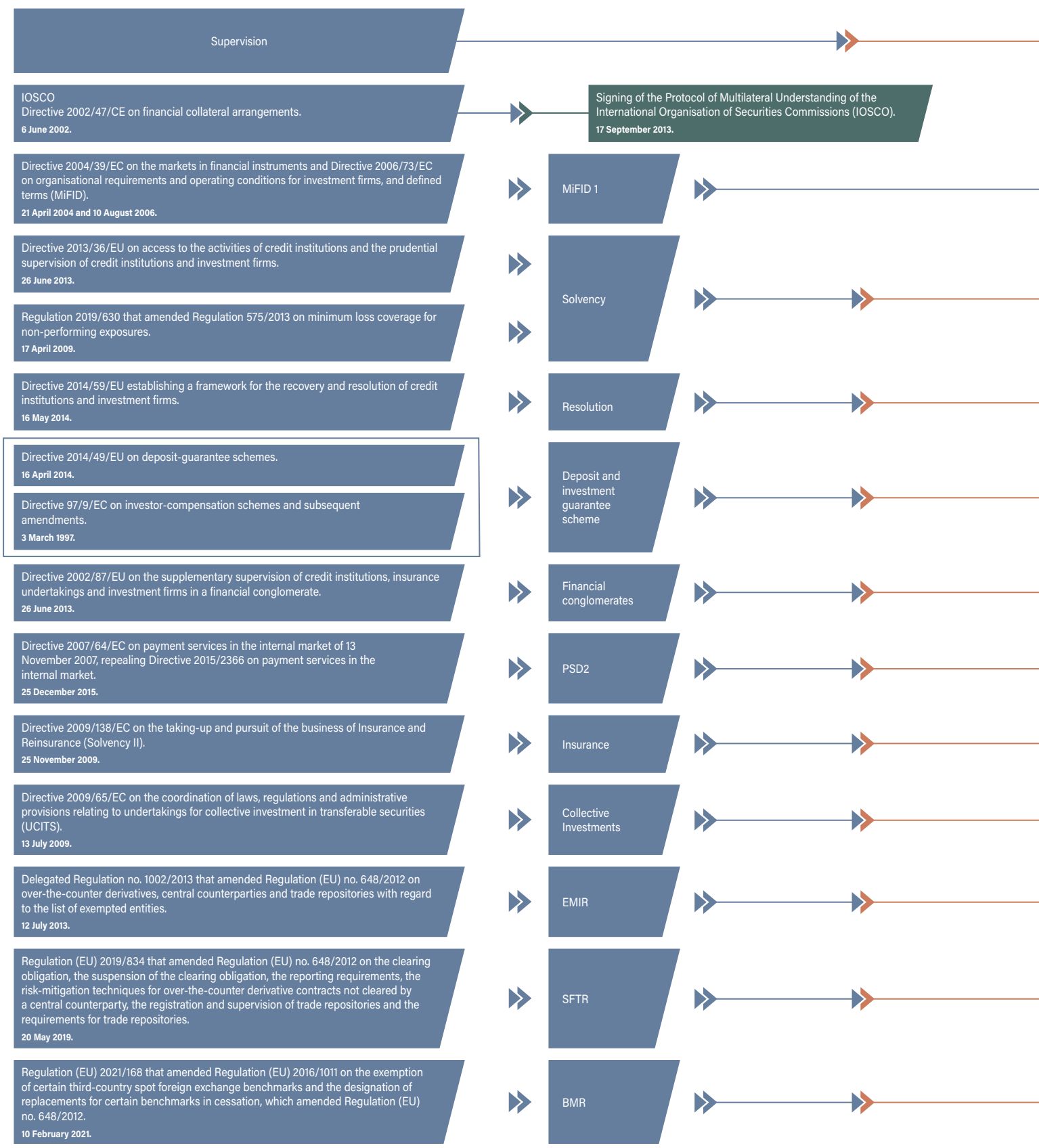
▬ International regulations, standards and recommendations
 ▬ International agreements
 ▬ Andorran regulations





# Financial framework

▬ International regulations, standards and recommendations
 ▬ International agreements
 ▬ Andorran regulations





## Framework of prevention and combating of money laundering and the financing of terrorism

■ International regulations, standards and recommendations
 ■ International agreements
 ■ Andorran regulations

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–November 2021: evaluation reports on the 5th evaluation.

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

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

Directive 2018/843 amending the 4th Directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing. **(5th Directive).**

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

Directive 2014/42/EU of the European Parliament and of the Council of 3 April 2014 on the freezing and confiscation of instrumentalities and proceeds of crime in the European Union.

Regulation 1781/2006 of 15 November 2006 on information on the payer accompanying transfers of funds.  
Regulation amended by Regulation 2015/847 of 20 May 2015.

Commission Delegated Regulation (EU) 2019/758 of 31 January 2019 supplementing Directive (EU) 2015/849 with regard to regulatory technical standards for the minimum action and the type of additional measures credit and financial institutions must take to mitigate money laundering and terrorist financing risk in certain third countries.

Regulation (EU) 2018/1672 of the European Parliament and of the Council of 23 October 2018 on controls on cash entering or leaving the Union and repealing Regulation (EC) no. 1889/2005.

Commission Delegated Regulation (EU) 2016/1675 of 14 July 2016 supplementing Directive (EU) 2015/849 by identifying high-risk third countries with strategic deficiencies.

Directive (EU) 2018/1673 of the European Parliament and of the Council of 23 October 2018 on combating money laundering by criminal law.

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

Recommendations of the Financial Action Task Force (FATF).



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

**22 June 2017.**

Regulation for the enforcement of Law 14/2017, of 22 June, on the prevention of the laundering of money or securities and the financing of terrorism.

**2 March 2022.**

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

**5 September 2018.**

Regulations governing the Register of Service Providers to Trusts and Similar Legal Instruments.

**6 February 2019.**

Regulation on the declaration of cross-border cash transport.

**21 September 2022.**

Regulation of the register of financial and similar accounts, attached to the finance ministry.

**14 February 2024.**

Law 24/2022 on the representation of digital assets through the use of cryptography and distributed ledger and blockchain technology.

**30 June 2022.**

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

<b>AA</b>	Association Agreement
<b>DA</b>	Digital assets
<b>TIEA</b>	Tax Information Exchange Agreement
<b>MA</b>	Monetary Agreement
<b>BEPS</b>	Base Erosion and Profit Shifting
<b>DTA</b>	Double Taxation Agreement
<b>Multilateral Convention</b>	Convention on mutual administrative assistance in tax matters with the OECD
<b>CST</b>	Cybersecurity
<b>DI</b>	Debt issuance
<b>IMF</b>	International Monetary Fund
<b>AEOI</b>	Automatic Exchange of Information in tax matters
<b>MCAA</b>	Multilateral Competent Authority Agreement
<b>PS</b>	Payment services
<b>IFRS-EU</b>	International Financial Reporting Standards adopted in the European Union
<b>AML/CFT</b>	Prevention of money laundering and terrorist financing
<b>REG</b>	Regulation
<b>REG COVID- 19</b>	Regulation adopted in the light of the SARS-CoV-2 pandemic
<b>RESL</b>	Resilience
<b>RTG</b>	Rating
<b>SUST</b>	Sustainability
<b>SUP</b>	Supervision
<b>TR</b>	Transparency



## Andorra has signed 24 TIEAs and 17 DTAs\*

### 2024

<b>AA</b>	<b>26 April</b>	<b>The European Commission publishes the full English version of the Association Agreement between the European Union and the Principality of Andorra.</b>
<b>RTG</b>	<b>26 April</b>	<b>Fitch Ratings confirms Andorra's rating at A- with a stable outlook.</b>
<b>IMF</b>	<b>6 March</b>	<b>The IMF publishes the Article IV report for 2023 and gives a positive assessment of the performance and robustness of Andorran banks.</b>
<b>REG</b>	<b>14 February</b>	Decree 64/2024 approving the regulations of the register of financial and similar accounts, attached to the finance ministry.
<b>REG</b>	<b>1 February</b>	Approval of Law 2/2024 on urgent measures to improve the purchasing power of citizens.
<b>REG</b>	<b>1 February</b>	<b>Approval of Law 3/2024 on the tax on foreign real estate investment in the Principality of Andorra.</b>
<b>REG</b>	<b>24 January</b>	Decree 24/2024 approving the Regulation on the adoption of complementary EU technical standards applicable to the recovery and resolution of banking institutions and investment firms.
<b>RTG</b>	<b>19 January</b>	<b>Moody's raises Andorra's rating from Baa2 to Baa1 and maintains a stable outlook.</b>

### 2023

<b>AA</b>	<b>12 December</b>	<b>The negotiation of the Association Agreement between the EU and Andorra and San Marino is completed.</b>
<b>REG</b>	<b>28 November</b>	Approval of Law 24/2023 on measures to stimulate and stabilise the housing rental market.
<b>RTG</b>	<b>13 November</b>	<b>Standard &amp; Poor's maintains the qualification of Andorra at BBB+/A-2 with positive outlook.</b>
<b>RTG</b>	<b>27 October</b>	<b>Fitch Ratings confirms Andorra's rating at A- with a stable outlook.</b>
<b>REG</b>	<b>7 September</b>	Approval of Law 16/2023 on the temporary suspension of foreign investment in real estate in the Principality of Andorra.
<b>REG COVID- 19</b>	<b>16 August</b>	Decree 404/2023 on the completion of the second phase of the soft credit scheme guaranteed by the Government, regulated by Decree of 20-5-2020 on the approval of a second extraordinary collateral programme for companies and businesses due to the health emergency situation caused by the SARS-CoV-2 coronavirus.
<b>REG</b>	<b>12 July</b>	Approval of Law 15/2023 to extend the urgent housing measures and to provide the Government with the necessary resources to create a public housing stock.
<b>RTG</b>	<b>26 July</b>	<b>Moody's maintains Andorra's rating at Baa2 with a stable outlook.</b>

\*The Principality of Andorra, in line with its economic openness and process of harmonisation with international standards, has eleven DTAs in place (France, Luxembourg, Spain, United Arab Emirates, Portugal, Liechtenstein, Malta, Cyprus, San Marino, Hungary and Monaco) and six signed DTAs (Croatia, Czech Republic, Iceland, Netherlands, South Korea and Lithuania). Andorra has initialled two agreements that have yet to be signed with Belgium and Montenegro.

<b>AML/CFT</b>	<b>30 June</b>	The AFA and UIFAND have signed a new memorandum of understanding that consolidates and broadens the basis for regulating the collaboration between the two authorities in those functions attributed to them by regulations in relation to the supervision of entities operating in the financial system, insurance and reinsurance organisations, providers of virtual asset services and digital viewers.
<b>SUP</b>	<b>22 May</b>	The AFA becomes a member of the Group of International Finance Centre Supervisors (GIFCS), an organisation that promotes the adoption of international best practices in the financial sectors of small countries where legislative proportionality is necessary.
<b>RTG</b>	<b>12 May</b>	<b>Standard &amp; Poor's revised Andorra's outlook from stable to positive and reaffirmed its rating at BBB+/A-2.</b>
<b>DA</b>	<b>10 May</b>	Decree 211/2023 approving the Regulations implementing Title VIII of Law 42/2022, of 1 December, on the digital economy, entrepreneurship and innovation, relating to the controlled testing environment or sandbox.
<b>REG</b>	<b>10 May</b>	Decree 204/2023 amending the Regulations for the application of Law 12/2017, of 22 June, on the regulation and supervision of insurance and reinsurance in the Principality of Andorra.
<b>RTG</b>	<b>28 April</b>	<b>Fitch Ratings reaffirmed Andorra's rating at A- and a stable outlook.</b>
<b>MA</b>	<b>3 April</b>	The AREB and AFA sign a memorandum of understanding formally establishing a mutual assistance framework to carry out their respective functions, as set out in Law 7/2021, of 29 April, on the recovery and resolution of banking institutions and investment companies.
<b>REG</b>	<b>15 March</b>	Decree 127/2023 that passed a special guarantor programme for the purchase of homes that are the usual place of residence.
<b>REG</b>	<b>19 January</b>	<b>Law 6/2023 on urgent measures to improve the purchasing power of citizens and on housing rental.</b>
<b>REG</b>	<b>19 January</b>	<b>Approval of Law 5/2023 on the reform of direct taxation and the amendment of other tax and customs rules.</b>

## 2022

<b>DA</b>	<b>1 December</b>	Approval of Law 42/2022 on digital economy, entrepreneurship and innovation.
<b>REG</b>	<b>1 December</b>	Approval of Law 41/2022 on protection, market stimulation and governance measures in the area of housing.
<b>SUST</b>	<b>24 November</b>	Approval of Law 37/2022 on measures to respond to energy crisis situations.
<b>RESL</b>	<b>24 November</b>	<b>Approval of Law 36/2022 on the creation of international reserves and access by the financial system to emergency liquidity assistance.</b>
<b>MA</b>	<b>24 November</b>	Approval of Law 35/2022 that amended Law 8/2013, of 9 May, on organisational and operational requirements for institutions operating in the financial sector, investor protection, market abuse and financial collateral agreements (EMIR, SFTR and benchmark indexes).
<b>AML/CFT</b>	<b>21 September</b>	Decree 377/2022 approving the Regulation on the declaration of cross-border cash transport.

<b>RESL</b>	<b>22 July</b>	<b>The ECB and the AFA sealed a repo agreement to provide liquidity in euros should this be required by the market.</b>
<b>MA</b>	<b>20 July</b>	Decree 303/2022 approving the Regulation implementing Law 7/2021, of 29 April, on the recovery and resolution of banking institutions and investment firms.
<b>RTG</b>	<b>15 July</b>	<b>Standard &amp; Poor's upgrades Andorra's rating to BBB+/A-2 with a stable outlook.</b>
<b>MA</b>	<b>14 July</b>	Approval of Law 26/2022 that amended Law 17/2013, of 10 October, on the introduction of the euro in the framework of the Monetary Agreement signed between the Principality of Andorra and the European Union (NPE, NSFR, leverage ratio).
<b>RTG</b>	<b>8 July</b>	<b>Fitch upgrades the rating to A- with a stable outlook, the best score since the agency began rating the Principality back in 2015.</b>
<b>SUST</b>	<b>30 June</b>	Approval of Law 25/2022 on circular economy (LEC).
<b>DA</b>	<b>30 June</b>	Approval of Law 24/2022 on the digital representation of assets through the use of cryptography and distributed ledger and blockchain technology.
<b>IMF</b>	<b>20 June</b>	<b>The Executive Board of the IMF concludes the 2022 Article IV consultation with the Principality of Andorra.</b>
<b>CST</b>	<b>9 June</b>	Approval of Law 22/2022 on measures for the security of networks and information systems.
<b>MA</b>	<b>8 June</b>	Decree 249/2022 approving the Regulation on the organisation and functioning of the Management Committee of the Andorran Deposit Guarantee Fund.
<b>MA</b>	<b>8 June</b>	Decree 248/2022 approving the Regulation on the organisation and functioning of the Management Committee of the Andorran Investment Guarantee System.
<b>TR</b>	<b>25 May</b>	Decree 214/2022 amending the Regulation governing the registration of and access to information relating to beneficial owners in the registers of legal entities, as approved by the Decree of 5 September 2018.
<b>REG</b>	<b>27 April</b>	Decree 171/2022 on the approval of the Regulations for the creation and management of the international reserves of the Principality of Andorra.
<b>IMF</b>	<b>7 April</b>	<b>The IMF publishes the Article IV mission's technical staff statement for 2022.</b>
<b>REG</b>	<b>3 March</b>	Approval of Law 5/2022 on the application of international sanctions in the context of the war in Ukraine.
<b>AML/CFT</b>	<b>2 March</b>	Approval of the Regulation for the application of the new AML/CFT Law.
<b>DI</b>	<b>16 February</b>	Approval of the issue of public debt "Sustainable notes of the Principality of Andorra in international markets" for an amount of 500 million euros.
<b>RTG</b>	<b>4 February</b>	<b>Moody's rates the Principality of Andorra for the first time with a Baa2 rating and a stable outlook.</b>
<b>Digitalisation</b>	<b>2 February</b>	Arrangement of the €8m loan from the Council of Europe's Development Bank to finance digitisation.

<b>RTG</b>	<b>14 January</b>	<b>Fitch Ratings reaffirms the Principality's rating at BBB+ and revises Andorra's outlook from stable to positive.</b>
<b>RTG</b>	<b>14 January</b>	<b>Standard &amp; Poor's revises Andorra's outlook from stable to positive and reaffirms its rating at BBB/A-2.</b>
<b>BEPS</b>	<b>1 January</b>	Entry into force of the Multilateral Agreement on the application of measures relating to tax treaties to prevent base erosion and profit shifting ( <b>MLI</b> ).

## 2021

<b>REG COVID- 19</b>	<b>22 December</b>	Approval of Decree 424/2021 that increases up to 100% the rental and mortgage subsidies for nightlife venues.
<b>AML/CFT</b>	<b>16 December</b>	Approval of the amendment of Law 14/2017, of 22 June, on preventing and combating money laundering and the financing of terrorism ( <b>implementation of the 5th Directive</b> ).
<b>IFRS-EU</b>	<b>15 December</b>	Approval of the Decree approving certain international financial reporting standards adopted in the European Union (EU-IFRS), which amends the Decree of 22 December 2016.
<b>AML/CFT</b>	<b>15 November</b>	Start of the III Course on the prevention of money laundering and the financing of terrorism.
<b>MA</b>	<b>3 November</b>	Approval of the Regulation on the adoption of complementary EU technical standards applicable to the solvency, liquidity and prudential supervision of banking institutions and investment firms.
<b>REG</b>	<b>28 October</b>	<b>Approval of Law 29/2021 on the protection of personal data (GDPR).</b>
<b>REG</b>	<b>14 October</b>	<b>Approval of Law 24/2021 on exchange taxes applied to card payment transactions.</b>
<b>DI</b>	<b>6 October</b>	<b>New international debt issue of €175m with a 20-year maturity for the first time.</b>
<b>REG COVID- 19</b>	<b>29 September</b>	<b>Decree 323/2021 which regulates the return or conversion into loans of the outstanding debt corresponding to the first and second extraordinary guarantee programme for companies and businesses following the health emergency situation caused by the SAR coronavirus.</b>
<b>SUST</b>	<b>22 September</b>	Decree 303/2021 approving the Regulation of the national market for the compensation of greenhouse gas emissions.
<b>MA</b>	<b>10 September</b>	Publication in the BOPA of the amendment to the schedule to the Monetary Agreement between the Principality of Andorra and the European Union.
<b>REG COVID- 19</b>	<b>1 September</b>	The government extends the programme of rental and mortgage subsidies for nightlife venues and travel agencies.
<b>RTG</b>	<b>23 July</b>	Fitch Ratings reaffirms Andorra's rating at BBB+ with a stable outlook.
<b>RTG</b>	<b>20 July</b>	Standard & Poor's reaffirms Andorra's credit rating at BBB/A-2.
<b>IMF</b>	<b>14 June</b>	<b>The IMF publishes a report setting out its final conclusions on Andorra within the framework of Article IV of the IMF's Articles of Agreement.</b>

<b>IMF</b>	<b>7 May</b>	<b>Publication of the first balance of payments of Andorra.</b>
<b>PS</b>	<b>4 May</b>	The SEPA direct debit scheme comes into force.
<b>MA</b>	<b>29 April</b>	<b>Approval of the Law on the recovery and resolution of banks and investment firms (BRRD1).</b>
<b>DI</b>	<b>28 April</b>	<b>First international issue of Andorran bonds —green, social and sustainable— for 500 million euros.</b>
<b>IMF</b>	<b>9 April</b>	The IMF publishes its preliminary conclusions on the official visit within the framework of Article IV of the IMF's Articles of Agreement and takes a positive view of Andorra's management of the pandemic and its prospects for economic recovery.
<b>REG COVID- 19</b>	<b>31 March</b>	Approval of Decree 102/2021 amending Regulation CRR. Among other things, it transposes different adaptations associated with the COVID-19 pandemic in the financial sector.
<b>REG COVID- 19</b>	<b>31 March</b>	Decree 101/2021 approving an extraordinary aid programme for rent and mortgage payments for companies in the ski equipment sales and rental business.
<b>REG COVID- 19</b>	<b>18 March</b>	Approval of Law 3/2021 amending Law 16/2020 of 4 December on new exceptional and urgent measures in the light of the health emergency caused by the SARS-CoV-2 pandemic, extending the rent reductions through 30 April 2021.
<b>IFRS-EU</b>	<b>24 February</b>	Decree 60/2021 approving new EU-IFRS standards and amending Decree of 22 December 2016.
<b>REG COVID- 19</b>	<b>29 January</b>	Approval of Decree 54/2021 amending the Decree of 20 May 2020 which approved a second extraordinary financing programme targeted at companies and businesses, including fuel expenses for transportation and the corporate contributions to job retention schemes. It includes the scope of Decree 25/2021 (leasing) and repeals it.
<b>RTG</b>	<b>29 January</b>	Fitch Ratings reaffirms the Principality's BBB + rating with a stable outlook, despite the situation caused by the pandemic.
<b>REG COVID- 19</b>	<b>28 January</b>	Approval of the Law 1/2021 which amends Law 16/2020, of 4 December, on new exceptional and urgent measures in the light of the health emergency caused by the SARS-CoV-2 pandemic.
<b>REG COVID- 19</b>	<b>27 January</b>	Decree 25/2021 amending the Decree of 20 May 2020 which approved a second extraordinary financing programme aimed at companies and businesses to include leasing operations (finance leases).
<b>RTG</b>	<b>15 January</b>	<b>Standard &amp; Poor's maintains Andorra's rating at BBB and a stable outlook.</b>

# 2020

<b>COVID-19</b>	<b>14 December</b>	<b>Banks extend until 31 March 2021 the application deadline for the moratoria.</b>
<b>REG COVID- 19</b>	<b>4 December</b>	Approval of the Law 16/2020 on exceptional and urgent measures in the light of the health emergency caused by the SARS-CoV-2 pandemic.
<b>REG COVID- 19</b>	<b>2 December</b>	Approval of a decree approving an extraordinary programme of rental and mortgage support targeted at gaming halls, in the light of the health emergency caused by the SARS-CoV-2 pandemic.

<b>REG COVID- 19</b>	<b>18 November</b>	Approval of a decree amending the Decree of 20 May 2020 approving a second extraordinary financing programme aimed at companies and businesses in the light of the health emergency caused by the SARS-CoV-2 pandemic: includes the payment of rent and utility bills.
<b>REG COVID- 19</b>	<b>21 October</b>	Approval of a decree approving an extraordinary rental and mortgage assistance programme for commercial premises in the light of the health emergency caused by the SARS-CoV-2 pandemic.
<b>IMF</b>	<b>16 October</b>	<b>Andorra becomes the 190th member of the IMF.</b>
<b>IMF</b>	<b>5 October</b>	Approval of Law 10/2020 on the accession of the Principality of Andorra to the IMF.
<b>RTG</b>	<b>31 July</b>	Standard & Poor's maintains Andorra's rating at BBB and a stable outlook.
<b>DI</b>	<b>29 July</b>	<b>Decree approving a long-term public debt bond issue by the Principality of Andorra in the amount of 20 million euros.</b>
<b>IFRS-EU</b>	<b>29 July</b>	Decree approving new EU-IFRS standards and amending Decree of 22 December 2016.
<b>RTG</b>	<b>17 July</b>	Fitch Ratings affirms Andorra at BBB+ and stable outlook.
<b>COVID-19</b>	<b>11 June</b>	<b>Approval of the sectoral agreement to defer the payment of loans and credits for those economically affected by SARS-CoV-2 (sectoral grace periods).</b>
<b>N/A</b>	<b>27 May</b>	Andorra becomes the 47th member of the Development Bank of the Council of Europe.
<b>RTG</b>	<b>24 April</b>	Standard & Poor's affirms Andorra's qualification at BBB/A-2 and revises the outlook to stable due to the impact of SARS-CoV-2.
<b>REG COVID- 19</b>	<b>18 April</b>	<b>Approval of Law 5/2020 on new exceptional and urgent measures in the light of the health emergency caused by the SARS-CoV-2 pandemic which repeals Law 3/2020.</b>
<b>REG COVID- 19</b>	<b>24 March and 20 May</b>	<b>Approval of two decrees regulating extraordinary financing programmes aimed at companies and businesses in the light of the health emergency caused by the SARS- CoV-2 pandemic.</b>
<b>REG COVID- 19</b>	<b>23 March</b>	<b>Approval of the Qualified Law 4/2020 on states of alert and emergency.</b>
<b>REG COVID- 19</b>	<b>23 March</b>	Approval of Law 3/2020 on exceptional and urgent measures in the light of the health emergency caused by the SARS-CoV-2 pandemic.
<b>RTG</b>	<b>31 January</b>	Fitch Ratings affirms Andorra at BBB+ and stable outlook.
<b>RTG</b>	<b>17 January</b>	Standard & Poor' s affirms the qualification of Andorra at BBB/A-2 and positive outlook.

## 2019

<b>AML/CFT</b>	<b>5 December</b>	Moneyval adopts the second follow-up report of the 5th round of mutual evaluations of the Principality of Andorra.
<b>AML/CFT</b>	<b>28 November</b>	Approval of Law 21/2019 amending Law 14/2017, of 22 June, on the prevention and fight against money laundering and terrorism financing.

<b>TR</b>	<b>12 November</b>	Second round of Phase 2 of the Global Forum Peer review: it recognises improvements in transparency and exchange of tax information and raises the country's rating to largely compliant.
<b>MA</b>	<b>23 September</b>	Approval of the amendment of the appendix to the Monetary Agreement.
<b>RTG</b>	<b>2 August</b>	Fitch Ratings affirms Andorra's rating at BBB+ and stable outlook.
<b>RTG</b>	<b>19 July</b>	Standard & Poor's revises the outlook on Andorra from stable to positive and affirms the rating at BBB/A-2.
<b>REG</b>	<b>14 May</b>	Approval of the Regulation on corporation tax which repeals the 2015 regulation.
<b>REG</b>	<b>8 May</b>	Regulation of Law 12/2017, of 22 June, on the organisation and supervision of insurance and reinsurance with respect to simplified supervision of delegations in Andorra.
<b>MA</b>	<b>3 April</b>	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 (CRR).
<b>MA</b>	<b>3 April</b>	<b>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.</b>
<b>MA</b>	<b>27 March</b>	Approval of the decree introducing the international financial reporting standards in force in the EU in accordance with the EU-IFRS accounting framework adapted to Andorra.
<b>PS</b>	<b>5 March</b>	<b>Andorran banks become part of SEPA.</b>
<b>PS</b>	<b>1 March</b>	Andorra joins the Single Euro Payments Area (SEPA).
<b>MA</b>	<b>15 February</b>	<b>Approval of 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 (MiFID).</b>
<b>AML/CFT</b>	<b>11 February</b>	Moneyval publishes the first follow-up report of the 5th round of mutual evaluations of the Principality of Andorra.
<b>PS</b>	<b>11 February</b>	The European Payment Council updates the list of countries adhered to the SEPA schemes and includes the Principality of Andorra.
<b>RTG</b>	<b>9 February</b>	Fitch Ratings reaffirms Andorra's rating at BBB+ and stable outlook.
<b>REG</b>	<b>1 February</b>	Entry into force of Law 31/2018 on labour relations.
<b>TR</b>	<b>23 January</b>	Approval of the decree relating to the technical note on the audit procedure for external auditors on the Common Reporting Standard.
<b>RTG</b>	<b>19 January</b>	Standard & Poor's affirms Andorra's BBB/A-2 rating maintaining the outlook stable.
<b>REG</b>	<b>1 January</b>	Entry into force of Qualified Law 32/2018 on union and employer action and Qualified Law 33/2018 on industrial action.

2018

<b>MA</b>	<b>20 December</b>	<b>Approval of Law 35/2018 on the solvency, liquidity and prudential supervision of credit institutions and investment firms (CRD IV) and of Law 36/2018 on financial conglomerates.</b>
<b>MA</b>	<b>12 December</b>	Decree approving certain EU-IFRS amending the EU-IFRS Decree of 18 December 2016.
<b>AML/CFT</b>	<b>6 December</b>	Moneyval adopts the 1st follow-up report of the 5th round of mutual evaluations of the Principality of Andorra.
<b>TR</b>	<b>4 December</b>	<b>The EU considers Andorra to be a fully cooperating country in taxation matters and excludes it from the grey list.</b>
<b>PS</b>	<b>21 November</b>	Approval of the regulation relating to the legal regime of payment services and electronic money and of payment institutions and electronic money institutions (PSD2 regulation repealing PSD1 regulation).
<b>TR</b>	<b>15 November</b>	<b>The OECD endorses the changes implemented by Andorra and acknowledges that it has no potentially harmful tax regimes (Project BEPS Action 5).</b>
<b>PS</b>	<b>25 October</b>	<b>Approval of Law 27/2018 amending Law 8/2018 on payment services and electronic money (PSD2).</b>
<b>TR</b>	<b>19 October</b>	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.
<b>TR</b>	<b>18 October</b>	Signature of the OECD multilateral agreement within the framework of the BEPS project.
<b>TR</b>	<b>3 October</b>	Approval of the amendment to the Regulation implementing the AEOI Law.
<b>AML/CFT</b>	<b>21 September</b>	Second course on the prevention of money laundering and financing of terrorism, organised by Andorran Banking together with the University of Andorra and UIFAND.
<b>MA</b>	<b>13 September</b>	<b>Approval of Law 20/2018 regulating the Andorran Deposit Guarantee and the Andorran Investment Guarantee Schemes, which enters into force on 4 October.</b>
<b>TR</b>	<b>11 September</b>	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".
<b>AML/CFT</b>	<b>5 September</b>	<b>Approval of Regulation governing the recording of, and the access to, information relating to beneficial owners in the records of legal entities, in order to bring them into line with international standards.</b>
<b>RTG</b>	<b>11 August</b>	Fitch rating publication: BBB+.
<b>TR</b>	<b>26 July</b>	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).
<b>RTG</b>	<b>20 July</b>	Standard & Poor's rating publication: BBB.
<b>TR</b>	<b>3 July</b>	Lunch-talk in Madrid entitled "The Andorran financial sector in Europe", organised by Andorran Banking and the Government of Andorra.

<b>MA</b>	<b>20 June</b>	Approval of the regulation implementing Law 8/2018 on payment services and electronic money and of the regulation on the 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 (PSD1 regulation and SEPA regulation).
<b>MA</b>	<b>18 June</b>	Approval of the amendment of the appendix to the Monetary Agreement.
<b>REG</b>	<b>31 May</b>	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 supervisory body in relation to insurance and reinsurance.
<b>AML/CFT</b>	<b>23 May</b>	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.
<b>PS</b>	<b>17 May</b>	Approval of Law 27/2018 on payment services and electronic money (PSD1).
<b>REG</b>	<b>19 April</b>	Approval of Law 6/2018 amending Law 95/2010 on corporation tax.
<b>RTG</b>	<b>17 February</b>	Fitch rating publication: BBB.
<b>RTG</b>	<b>19 January</b>	Standard & Poor's rating publication: BBB.

## 2017

<b>TR</b>	<b>5 December</b>	<b>Andorra passes the EU test and is not included on the list of non-cooperative countries.</b>
<b>TR</b>	<b>30 November</b>	Andorra approves two amendments to the AEOI Law 19/2016 expanding the number of jurisdictions with which Andorra will exchange information from 2018 (41) and 2019 (73).
<b>TR</b>	<b>26 - 27 October</b>	The first edition of the Andorran Financial Summit is held.
<b>AML/CFT</b>	<b>28 September</b>	<b>Moneyval adopts the report of the 5th round of mutual evaluation of the Principality of Andorra.</b>
<b>RTG</b>	<b>18 August</b>	Fitch rating publication: BBB.
<b>TR</b>	<b>2 August</b>	Regulation of Law 19/2016 on the automatic exchange of tax information is approved.
<b>RTG</b>	<b>28 July</b>	Standard & Poor's rating publication: BBB.
<b>AML/CFT</b>	<b>13 July</b>	<b>Andorra includes tax offences in the list of predicate offences for money laundering.</b>
<b>TR</b>	<b>28 June</b>	<b>The OECD rewards Andorra's efforts by including it on the list of the most transparent countries in the ranking of the Global Forum on Transparency and Exchange of Tax Information.</b>
<b>AML/CFT</b>	<b>22 June</b>	Andorra passes Law 14/2017 on the prevention and fight against money laundering and the financing of terrorism.
<b>REG</b>	<b>22 June</b>	Approval of Law 12/2017 on the organisation and supervision of insurance and reinsurance.
<b>MA</b>	<b>19 June</b>	Approval of the amendment of the appendix to the Monetary Agreement.

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.
AML/CFT	06 - 17 March	Moneyval on-site visit as part of the 5th evaluation.
RTG	24 February	Fitch rating publication: BBB.
AML/CFT	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	Standard & Poor's rating publication: BBB-.
TR	13 January	<b>The Andorran Banking's General Assembly updates its Ethical code.</b>
TR	1 January	The AEOI agreement between the EU and Andorra takes effect
TR	1 January	<b>Law 19/2016 on AEOI takes effect.</b>
MA	1 January	<b>The Decree of 18 December 2016 approving the new accounting framework (EU-IFRS) comes into force.</b>

## 2016

TR	30 November	Law 19/2016 on the automatic exchange of tax information (AEOI) is approved.
RTG	3 September	Fitch rating publication: BBB.
TR	28 - 29 July	Signing of the Multilateral Convention.
RTG	29 July	Standard & Poor's rating publication: BBB-.
MA	23 May	Approval of the amendment of the appendix to the Monetary Agreement.
N/A	11 May	Vall Banc starts its operations.
RTG	11 March	Fitch rating publication: BBB.
TR	26 February	The DTA signed between the Principality of Andorra and Spain enters into force.
RTG	12 February	Standard & Poor's rating publication: 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.
AML/CFT	14 September	Andorra passes the 4th Moneyval evaluation and moves on to the 5th evaluation.

<b>TR</b>	<b>1 July</b>	The DTA signed between the Principality of Andorra and France enters into force.
<b>MA</b>	<b>2 April</b>	<b>Approval of Law 8/2015 on urgent measures to implement restructuring and resolution mechanisms for banking institutions.</b>
<b>AML/CFT</b>		Preparations for the 5th Moneyval evaluation begin, which will take place throughout 2016.

## 2014

<b>TR</b>	<b>16 June</b>	The OECD declaration on automatic exchange of information is adopted.
<b>TR</b>	<b>June</b>	<i>Peer Reviews Phases 1 + 2 (Global Forum).</i>
<b>TR</b>	<b>24 April</b>	Law 5/2014 on the Personal Income Tax (IRPF) is approved.
<b>AA</b>	<b>April</b>	<b>Negotiations begin for an Association Agreement between the EU and the Principality of Andorra.</b>
<b>MA</b>	<b>19 March</b>	Approval of the amendment of the appendix to the Monetary Agreement.

## 2013

<b>TR</b>	<b>5 November</b>	Signature of the OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters.
<b>TR</b>	<b>11 October</b>	Mandate to negotiate a review of the agreement on the taxation of savings income.
<b>MA</b>	<b>10 October</b>	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.
<b>TR</b>	<b>October</b>	The second phase of the Peer Review by Global Forum takes place.
<b>N/A</b>	<b>17 September</b>	The INAF is accepted as full member of IOSCO.
<b>TR</b>	<b>1 January</b>	Law 11/2012 on the Indirect General Tax (IGI) comes into force.

## 2012

<b>REG</b>	<b>21 June</b>	<b>Law 10/2012 on Foreign Investment is approved to fully liberalise foreign investment.</b>
<b>AML/CFT</b>	<b>March</b>	Start of the 4th Moneyval evaluation.

## 2011

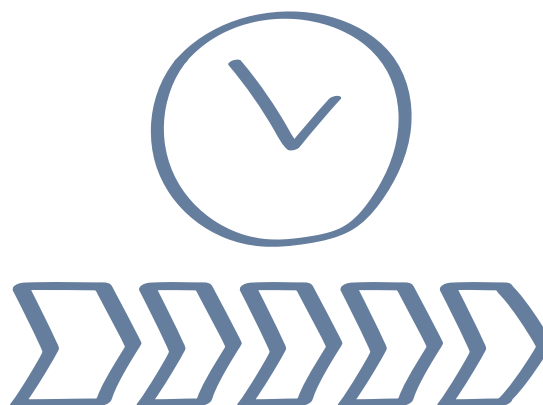
<b>TR</b>	<b>August</b>	The 1st Phase of the Peer Review by Global Forum takes place.
<b>MA</b>	<b>30 June</b>	<b>Andorra signs the Monetary Agreement with the European Union to convert the euro into Andorra's official currency.</b>
<b>N/A</b>	<b>4 April</b>	Memorandum of Understanding signed between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

## 2010

<b>TR</b>	<b>29 December</b>	A tax on corporations (IS), income from business activities (IAE) and non-residents income (IRNR) is approved.
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## 2009

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

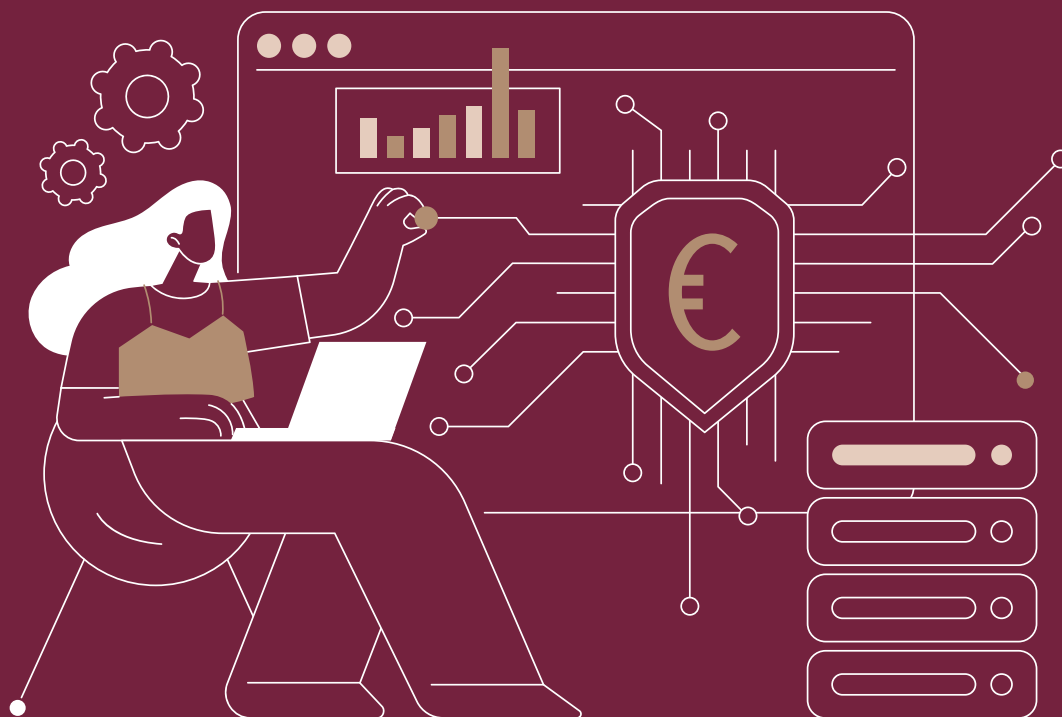


# Appendix





# CONTRIBUTION OF THE FINANCIAL SECTOR TO THE ANDORRAN ECONOMY



Study commissioned  
by Andorran Banking



**Andorran Banking  
Observatory**

4th report • January 2024

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## The importance of the financial sector in Andorra

The financial and banking sector plays an essential role in economies, exerting a significant influence both on companies and on families and individuals. The financial sector, made up of banks, investment banks and insurance companies, acts as a fundamental pillar that facilitates the flow of capital and financing to investors and/or consumers, thus promoting economic development. For companies, this sector provides crucial financial resources for investment, expansion and day-to-day operations.

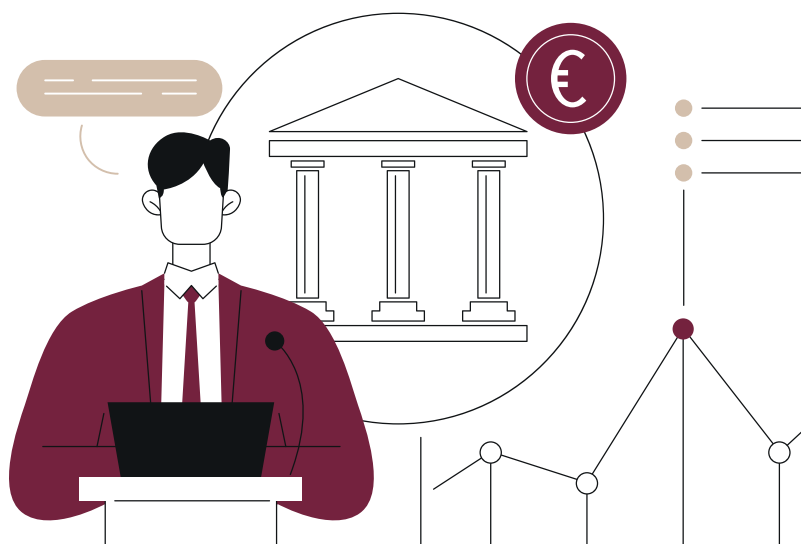
On the other hand, for families and individuals, financial institutions offer banking services, credit and insurance that directly influence their financial stability and well-being. The banking sector plays an important role in the management of balance sheets and financial planning, contributing to the construction of a resilient and sustainable economic system.

In addition, payment services play a vital role for individuals and businesses. These services provide an essential infrastructure for day-to-day transactions, improving the ease and security of financial operations. The development of tailored solutions is a key aspect, ensuring that the specific needs of individuals and companies are efficiently met. This adaptation includes the creation of customized financial products and the implementation of innovative payment methods services that streamline business operations and improve the user experience.

On the other hand, the contribution of financial institutions to the economy is also very significant. Countries such as Luxembourg and Liechtenstein have a financial system that represents between 20% and 25% of their GDP, which demonstrates the prosperity of the Andorran economic model with a powerful financial system.

What is the number of jobs created by the Andorran financial sector? What is the added value directly and indirectly linked to financial activities? What is the contribution to Andorra's budget generated by the financial sector?

This economic study provides a concise answer to these questions and sheds light on the role of banking institutions in society and the economic fabric.



# 1 | Financial sector data in Andorra

The financial sector in Andorra is a dynamic sector that has experienced great growth in recent years. Specifically, it is the **third private sector that contributes the most to the Gross Domestic Product (GDP)** of its economy. The two sectors with the largest contributions are retail trade and real estate activities, both of which depend on the financing they receive from the Andorran banking sector.

## 3 banking groups



**3 financial investment companies**



**4 insurance companies**

concentrate the **94.1%** of the assets managed in Andorra.

Provide a **17.2%** of direct taxes collected by the Government in the last 5 years.

They provide workplaces at **75.3%** of employees in the financial sector, of which **63.8%** has a university education.

The financing granted by the financial sector is approximately equivalent to **2x** the Andorra's GDP.

## Outside the perimeter of the 3 banking groups



**9 financial investment companies**



**23 insurance companies**



**Andorran banking sector**

**18**  
Billions EUR  
Assets

**64**  
Billions EUR  
Assets under management

**7.57%**  
ROE  
Efficiency

**2,500**  
employees

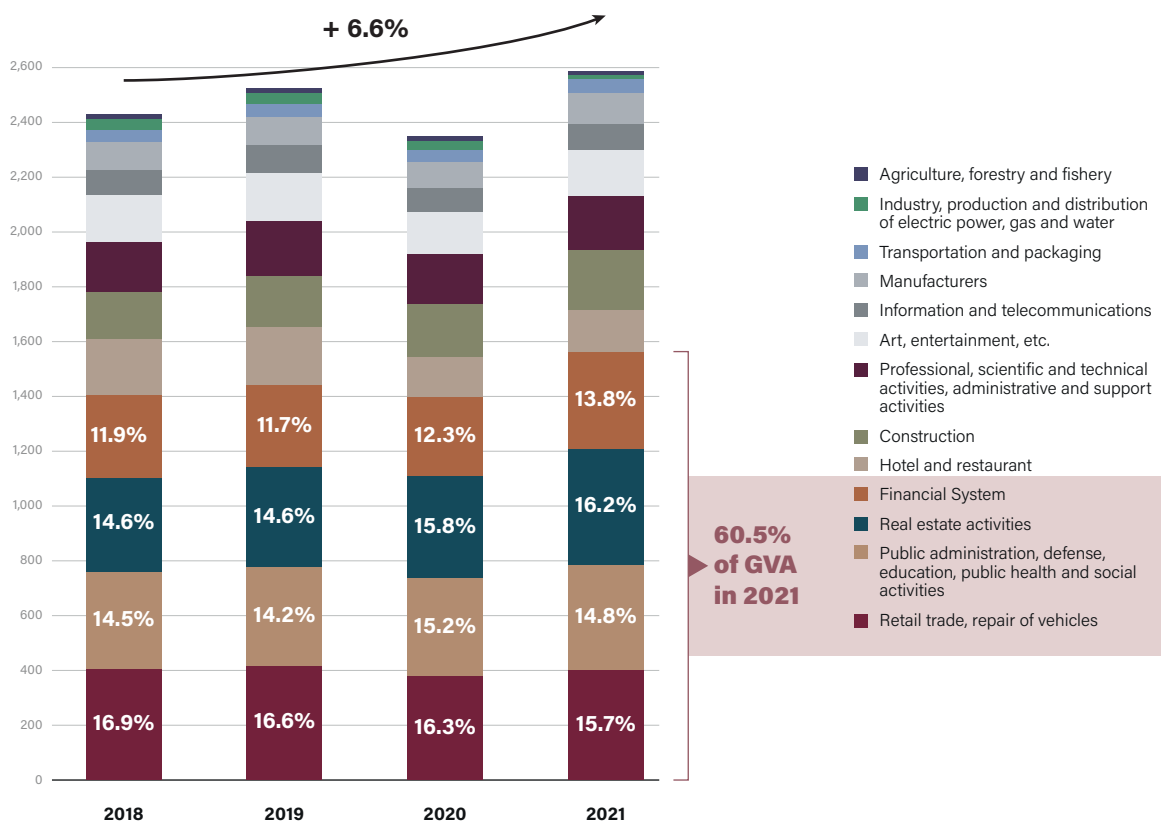
**15.76%**  
CET1  
Solvency ratio

**201.3%**  
Liquidity  
Coverage Ratio

Below are some economic variables that show the importance and solidity of the Andorran banking groups, with a great growth in the last years.

**Estimated GDP - Nominal GVA by Sectors**

(Million euros) / (%)



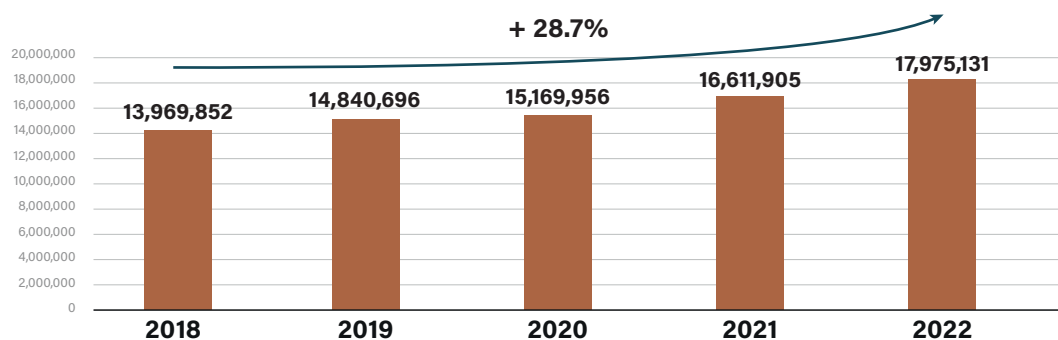
Source: Departament d'Estadística del Govern d'Andorra.

The financial sector together with the public sector, trade and real estate activities represent more than 60% of the Gross Added Value of the Andorran economy.

## Total assets

(Thousand euros)

The total assets of the banking sector have maintained during the last 5 years a growing trend of 28% CAGR despite the two crises. This growth has been based on a growing evolution of customer deposits.

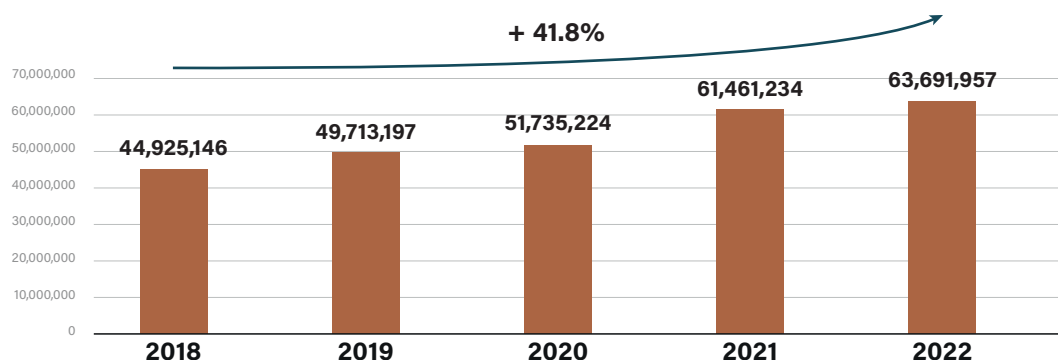


Source: Data provided by the banks.

## Assets under management

(Thousand euros)

The assets under management of the Andorran banking sector have had an increasing evolution.

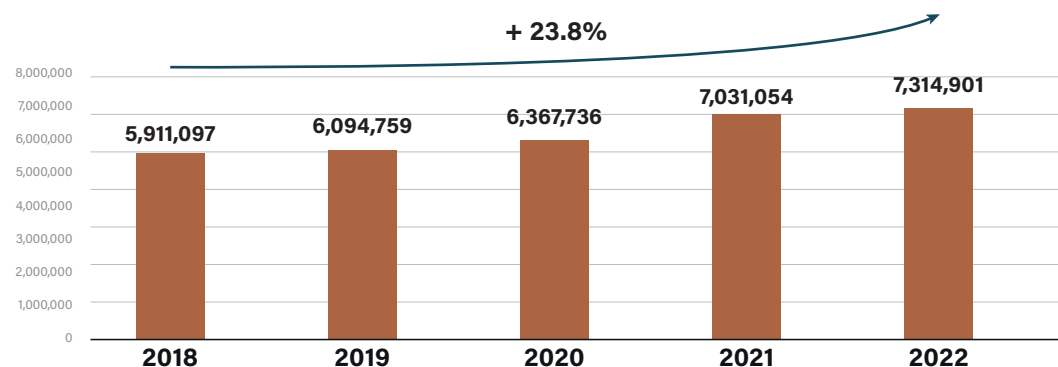


Source: Data provided by the banks.

## Consolidated credit investment

(Thousand euros)

Consolidated credit investment shows an upward trend, which evidences the sector's growing capacity to facilitate public access to financial resources.



Source: Data provided by the banks.

## 2 | Dynamizing sector

The Andorran financial sector has a significant positive influence on the rest of the economy from different perspectives.

### • Boosts strategic sectors

The development of certain sectors has been possible thanks to the financing and support of Andorran banks. The banking sector is committed to the progress and welfare of society.

It has actively encouraged and promoted the country's productive and strategic sectors such as the snow industry and the Caldea thermal center, among others. It also supports entrepreneurship, a key sector in the country's business sector.

### • Stimulates other industries

It is estimated<sup>1</sup> that the Andorran financial sector generates 0.9 additional jobs for each person working in the sector.

It has also been estimated that the sector generates a 0.3 Gross Added Value multiplier indirectly in the rest of the country's sectors.

As input-output tables have not been published by the Government of Andorra, the estimate has been made on the basis of the extrapolation between input-output tables published by Luxembourg and Switzerland, as well as in various reports<sup>2</sup>.

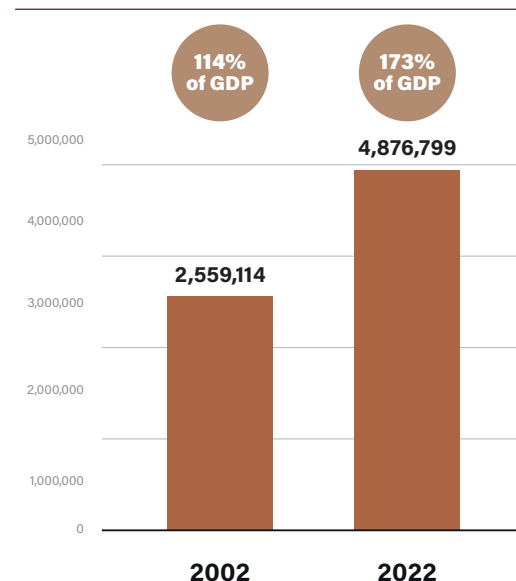
### • Finance the economy

Since 2002, credit investment in Andorra has experienced exponential growth, with a CAGR of 91% between 2002 and 2022. This financing has accompanied Andorra's economic and social growth over the last 20 years.

Consolidated credit investment shows an upward trend, which is evidence of the growing capacity for the sector to facilitate public access to financial resources.

### Credit investment in Andorra

(Thousand euros)



1. The estimate has been made by extrapolating on the basis of information published in the following reports: KPMG Private Banking Survey (KPMG); The state of the financial sector in Luxembourg (Luxembourg for Finance - Deloitte); and Economic impact of the Swiss Financial Sector (SBA - SIA - BAC).

2. For the extrapolations we have taken into account both the relative weight of the financial sector in GVA and number of employees, as well as the absolute size of the sector in the three countries.

## 3 | Job-creating sector

### • Generates qualified employment

On average, the 3 banking groups have employed 75.3% of the employees in the Andorran financial system over the last 5 years.

In 2022, 63.8% of the workforce in the banking sector were university graduates.

The contribution of the financial sector to the Andorran economy is particularly significant in terms of salary and wage mass.

### • Contributes to national wealth

Despite the process of concentration in the sector, the number of jobs has remained stable in terms of the number of employees.

The average gross salary amounts to €5,064, 208% higher than the average observed in the total economy in 2022. While the financial sector directly provides jobs to 4.5% of the employees in the Andorran economy, its contribution to the wage mass is 10% of the total wage mass over the last 5 years in Andorra. This shows the sector's capacity as a contributor to the country's wealth, welfare system and social security.

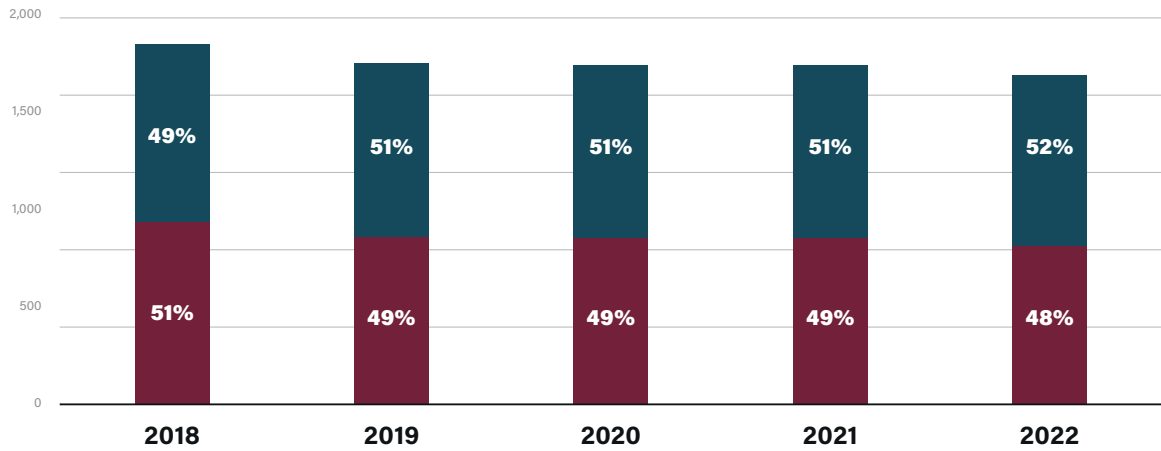
### • It has a multiplying effect on the workplaces

In contrast to the 4.5% of jobs generated directly, it is estimated that the financial sector in Andorra generates a total of 3,260 jobs (direct and indirect), representing 7.8% of the total number of jobs in Andorra. This is based on the estimated multiplier effect of 0.9 on the rest of the sectors of the country's economy\*.

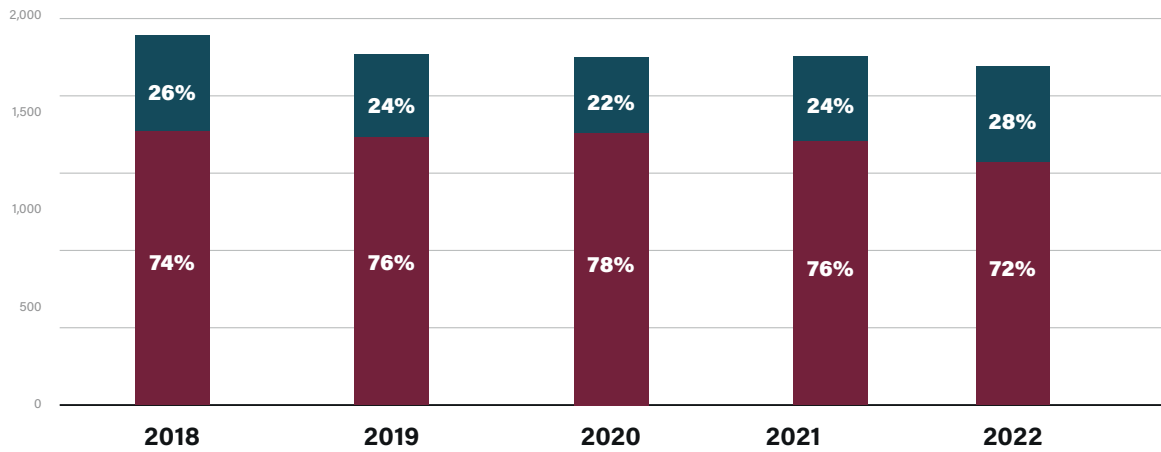
\* For every 10 jobs generated in the financial sector, it is estimated that 9 jobs are created in the rest of the economy, through indirect and induced effects.



## Evolution of jobs in the financial sector



■ Women  
■ Men



■ Rest of financial sector  
■ Banking groups

Source: Departament d'Estadística del Govern d'Andorra and data provided by the banks.



# 4 | Driver of the country's digital transformation

Digitalization and technology have been fundamental factors in the evolution of the banking sector. From online banking services to mobile applications and other technological advances, these innovations not only improve accessibility to financial services, but also streamline internal processes, increasing the efficiency and speed of transactions. The integration of advanced technological solutions allows banks to adapt quickly to market changes and offer more competitive and focused on the customer services.

## • Investment

The sector allocates around 6% of its profits to boosting digital transformation.



## • Payment facilities

1,500 millions of euros in POS transactions

- A 10% corresponds to virtual POS, which confirms a path towards online and distance commerce from Andorra.



## International transactions and cards

- International transactions have grown over the last few years to around 34 million transactions valued at more than 1,500 million euros.



## • Customer service

Growth in mobile application users

- The number of mobile application users grew to 24% in 2022 and an increase of 65% in 2022 compared to the previous year.



**65%**

growth in 2022  
of digital users.

## 5 Contribution to the State's finances

The three banking institutions generate significant tax revenues for the public sector. The taxes collected by the government and the *Comuns* represent around 2% of Andorra's GDP, a fact that demonstrates the sector's recurrent and continuous contribution to the public administration.

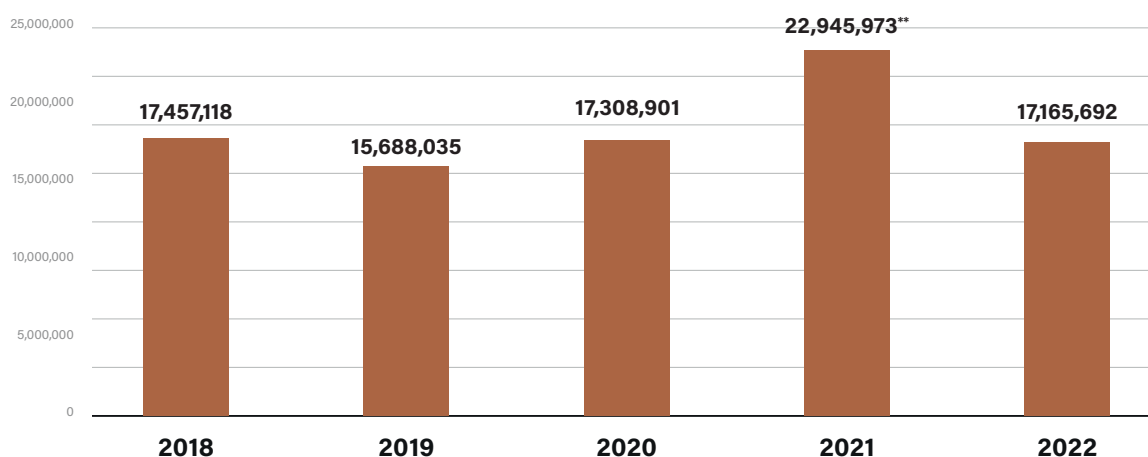
### • Direct taxes paid by banking groups

Direct taxes paid by the constituent entities of the banking groups have amounted to 90,565,719 euros during the last 5 years.

Average contribution to direct taxes by banking groups to the total direct taxes collected by the Government has averaged 17.8% over the last 5 years.

### Direct taxes paid by banking groups

(Euros)\*

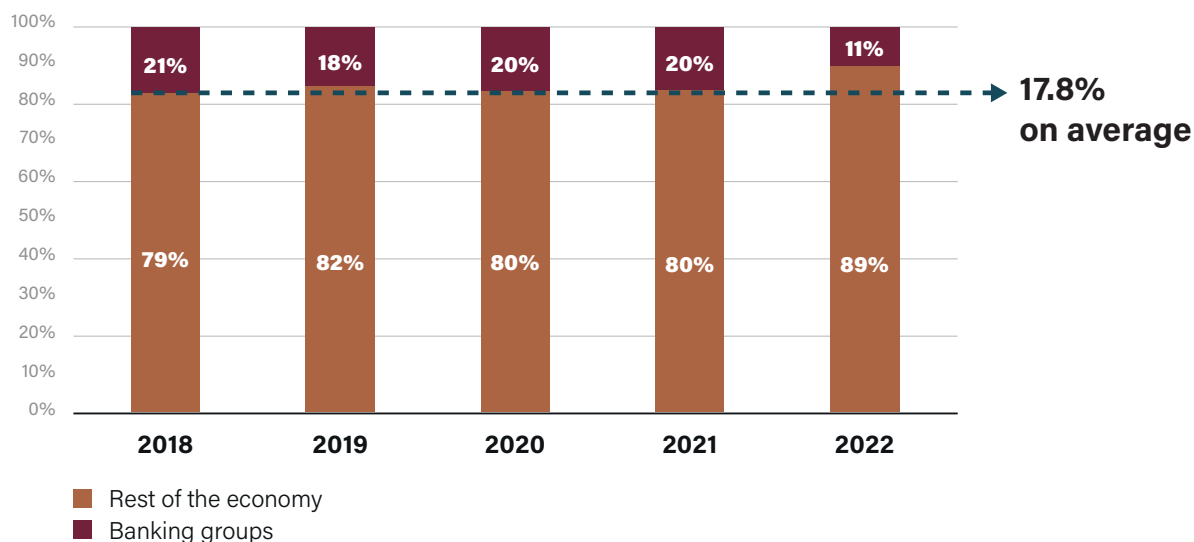


\* The data includes direct taxes both for individuals and legal entities.

\*\* Increase as a result of the bank consolidation process carried out in 2021.

### Contribution of the banking groups to total direct taxes

(%)



Source: Data provided by the banks and Departament d'Estadística del Govern d'Andorra.

# 6 | Impact of the sector in wealth creation (GVA/GDP)

The contribution to GVA by the financial sector has shown a growing trend over the last 5 years analyzed.

### • GVA contributed by the financial sector

Despite the fall in 2020 caused by COVID-19, the GVA of the financial sector **has maintained a growing trend in the period 2018-2021 with a CAGR of 23%**, consolidating itself as the **third private sector that contributes the most direct GVA** to the economy, with 13.8%.

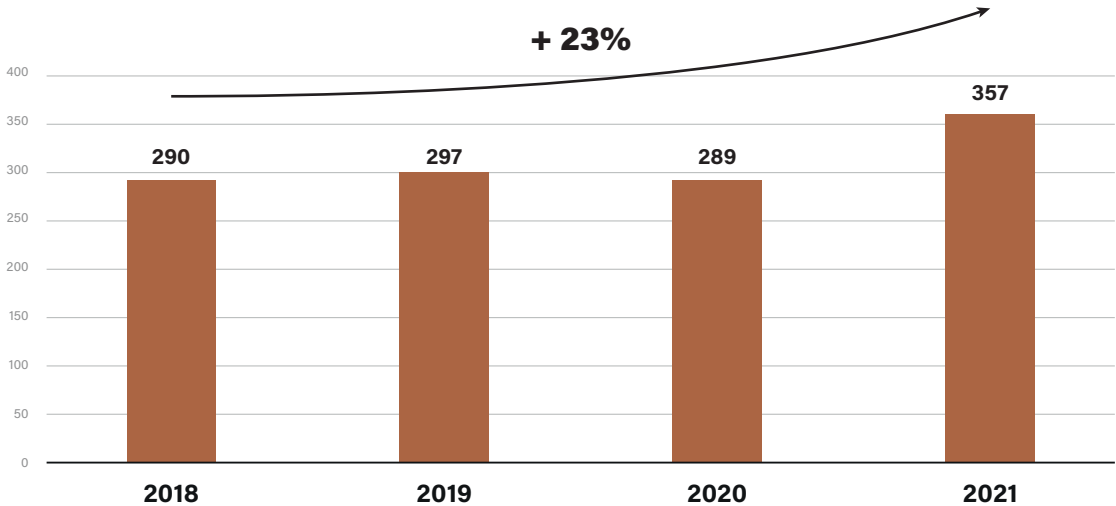
The average GVA per employee in the financial sector is **3 times higher than that of the rest of the economy**. In the period 2018-2021 it has maintained a growing trend, going from 246% to 299% with respect to the average GVA per employee of the economy, **with a CAGR of 31%**.

### • The indirect effect of the financial sector on Andorra’s GVA: the GVA multiplier effect

It is estimated that the financial sector in Andorra generates **an estimated total GVA (direct and indirect) of €464M, which would represent 19% of total GVA compared to 13.8% generated directly**. This is based on the estimated multiplier effect of 0.3\* on the remaining sectors of the country’s economy.

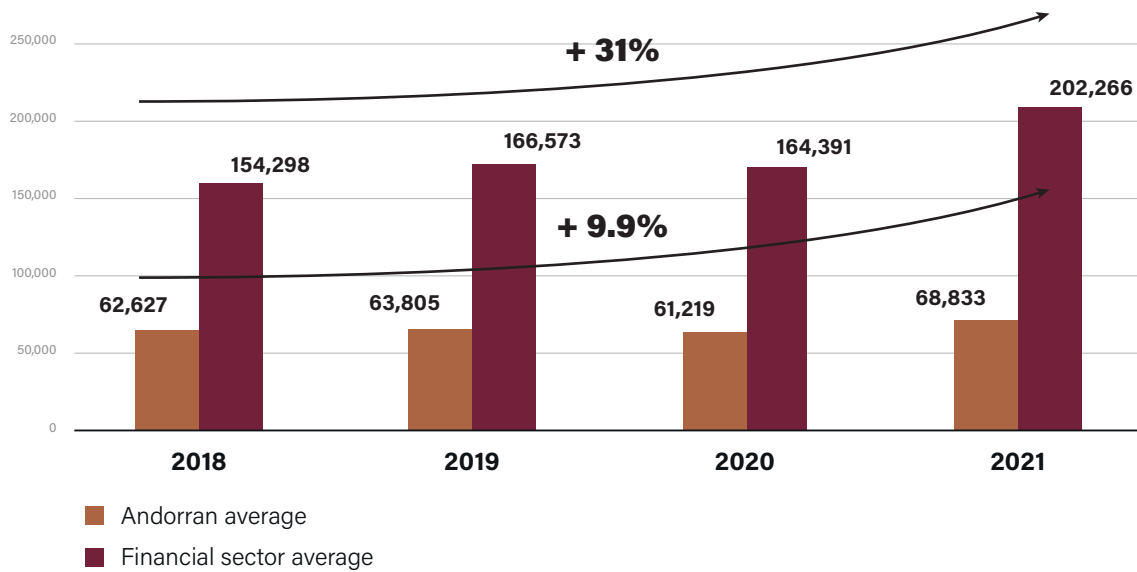
\* For every €1 of GVA generated by the financial sector, it is estimated that €0.3 of GVA is generated in the other sectors of the Andorran economy, due to the purchases that the financial sector makes in the other sectors.

Evolution of the financial sector GVA (Million euros)



## Evolution of median GVA per employee

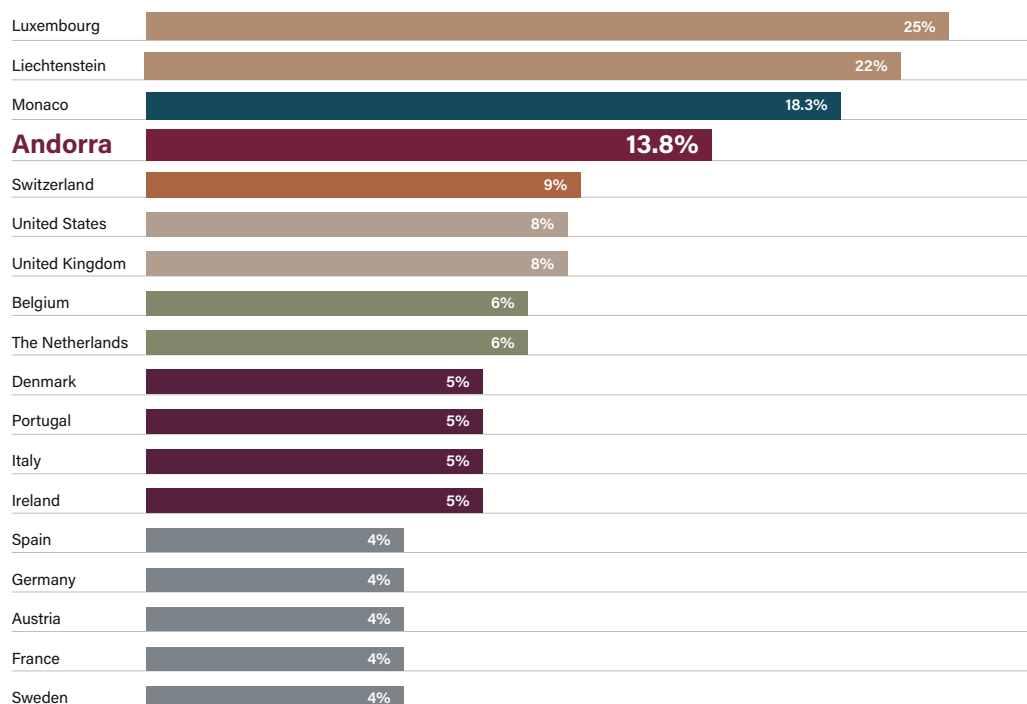
(Euros per employee)



Source: Departament d'Estadística del Govern d'Andorra.

The financial sector in Andorra has an important weight in the economy with a 13.8% contribution to GVA, as in other countries such as Luxembourg, Liechtenstein, Monaco and Switzerland.

The weight of **the direct GVA contributed by the Andorran financial sector** to the economy compared to other countries:



Source: OCDE, IMMSEE and other public sources

# 7 | Methodology and Assumptions

## • Sources of information

For the preparation of this report, information has been taken from:

- Departament d'Estadística del Govern d'Andorra.
- Associació de Bancs Andorrans.
- Banking institutions themselves: Andbank, MoraBanc and Creand.
- Input-output tables for Switzerland and Luxembourg.
- Multiple public websites explicitly mentioned, such as the OECD.

## • Perimeter of the information used

For the purpose of the "Summary" we have taken into account, unless otherwise stated, the totality of the financial sector in Andorra, having drawn the data mostly from the public accounts and from the Departament d'Estadística del Govern d'Andorra.

## • Indirect and induced impact estimation through extrapolation

The Andorran financial sector generates jobs as well as Gross Added Value indirectly and induced in the rest of the country's sectors. As no input-output tables have been published by the Government of Andorra, the estimation of the multiplier effects has been made by extrapolating from data published by Luxembourg<sup>3</sup> and Switzerland<sup>4</sup> as well as in various reports<sup>5</sup>.

The extrapolations have taken into account both the relative weight of the financial sector and the absolute size of the financial sector in the three countries.

## • Indirect impact

For the purposes of this report, indirect impact is understood to be the production and jobs generated in the sectors benefiting from the investments and spending carried out by the financial sector.

## • Induced impact

For the purposes of this report, induced impact refers to the impact generated in other sectors of the economy by the consumption of goods and services by employees in the financial sector.

3. Tables input-output Luxembourg.

4. Tables input-output Switzerland.

5. KPMG Private Banking Survey (KPMG); The state of the financial sector in Luxembourg (Luxembourg for Finance - Deloitte); and Economic impact of the Swiss Financial Sector (SBA - SIA - BAC).

## • Preliminary considerations in the estimation of direct and indirect GVA contributed by the financial sector

The financial sector is the fourth sector that contributes the most added value to the Andorran economy, with 13.8% of the total, which generates economic dependencies with the rest of the sectors due to the purchases that the financial sector makes to the rest of the sectors.

In the case of Switzerland, the financial sector, together with the insurance sector, is the second largest contributor to GVA, with 9%. In the Alpine country, there is a certain balance between the sectors, as there are several that have a weight close to that of the financial sector, such as pharmaceuticals, manufacturing, education and health. The indirect GVA multiplier of the financial sector in Switzerland is estimated at approximately 0.4, according to the 2017 input-output tables published in 2022 by SFSO. This figure coincides with that obtained from the reports cited above.

In Luxembourg, the financial sector is the first sector that contributes the most GVA and represents 25%. In the case of Luxembourg, the contribution of the financial sector to GVA is three times that of the second sector (real estate activities), as well as that of the third (commerce) and fourth (professional-scientific-technical services). The multiplier of the indirect GVA of the financial sector in Luxembourg is estimated at approximately 0.2, according to the 2019 input-output tables.

## • Assumptions in the estimation of direct and indirect GVA contributed by the financial sector

The indirect impact in percentage terms of GVA of a sector is inversely proportional to the total weight of the sector in the economy and to the level of diversification of this economy. Sectors with lower direct contributions tend to generate proportionally higher indirect impacts than those with high direct contributions (see "transportation and storage services" sector in Luxembourg). Sectors with a high degree of concentration at the economy level tend to generate proportionally lower indirect impacts by concentrating a high share of the impacts in the sector itself (see "financial and assurance services" in Luxembourg).

We consider it reasonable to understand that the **multiplier effect of the financial sector on the GVA of Andorra is 0.3.**

	GVA direct	% GVA direct	Multiplier indirect	GVA total estimated	% GVA total estimated (direct and indirect)
<b>GVA financial sector</b>	<b>357M€</b>	<b>13.8%</b>	<b>0.3</b>	<b>464,1M€</b>	<b>19%</b>

## • Preliminary considerations in the estimation of direct and indirect jobs generated by the financial sector

The financial sector, with a direct contribution to GVA of 13.8%, generates 4.5% of the total number of jobs in the Andorran economy, with 1,716 employees in 2022. The gross average wage will amount to €5,064, 208% higher than the average observed in the total economy in 2022. While the financial sector only provides jobs to 4.5% of the employees in the Andorran economy, it has contributed 10% of the total gross salary in the last 5 years in Andorra.

While in the case of the GVA multiplier effect, the induced effects have not been taken into account, in the case of the estimate of the multiplier effect of the financial sector on Andorran jobs, these induced effects have been taken into account, due to the high purchasing power of its employees.

In the case of Switzerland, the financial sector, with a direct contribution to GVA of 9%, generates 5.5% of the total number of jobs in the economy. The indirect employment multiplier of the financial sector in Switzerland is estimated at 0.83<sup>6</sup>.

In Luxembourg, the financial sector, with a direct contribution to GVA of 25%, generates 14% of total employment in the economy. The indirect employment multiplier of the financial sector in Luxembourg is estimated at 1.01<sup>7</sup>.

• **Assumptions in the estimation of direct and indirect jobs generated by the financial sector**

The indirect impact in percentile terms of jobs in a sector seems to be directly proportional to the direct weight of the sector in jobs. Sectors with higher direct contributions tend to generate proportionally higher indirect impacts than those with lower direct contributions.

Given that the percentage of direct jobs in Andorra is similar to that of Switzerland, but the weight of the sector in the economy is significantly higher, we consider it reasonable to understand that the **multiplier effect of the financial sector on employment in Andorra is 0.9**.

	Direct jobs	% Direct jobs	Indirect Multiplier	Total jobs	% Country jobs (direct and indirect)
<b>Jobs generated by the financial sector (2022)</b>	<b>1,716</b>	<b>4.5%</b>	<b>0.9</b>	<b>3,260</b>	<b>7.8%</b>

6. Economic impact of the Swiss Financial Sector (SBA – SIA – BAC).

7. The state of the financial sector in Luxembourg (Luxembourg for Finance - Deloitte).



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