ANNUAL REPORT 2015

ANDBANK
Private Bankers

ANNUAL REPORT 2015

Table of Contents

0.

KEY FIGURES

Financial Group founded in 1930. To preserve and grow the wealth of our customers is our only goal. The trust of our customers is our most valuable asset

12
Countries

7
Banking Licenses

6
Investment Advisors

5
Asset Management Co

3
Brokerage Firms

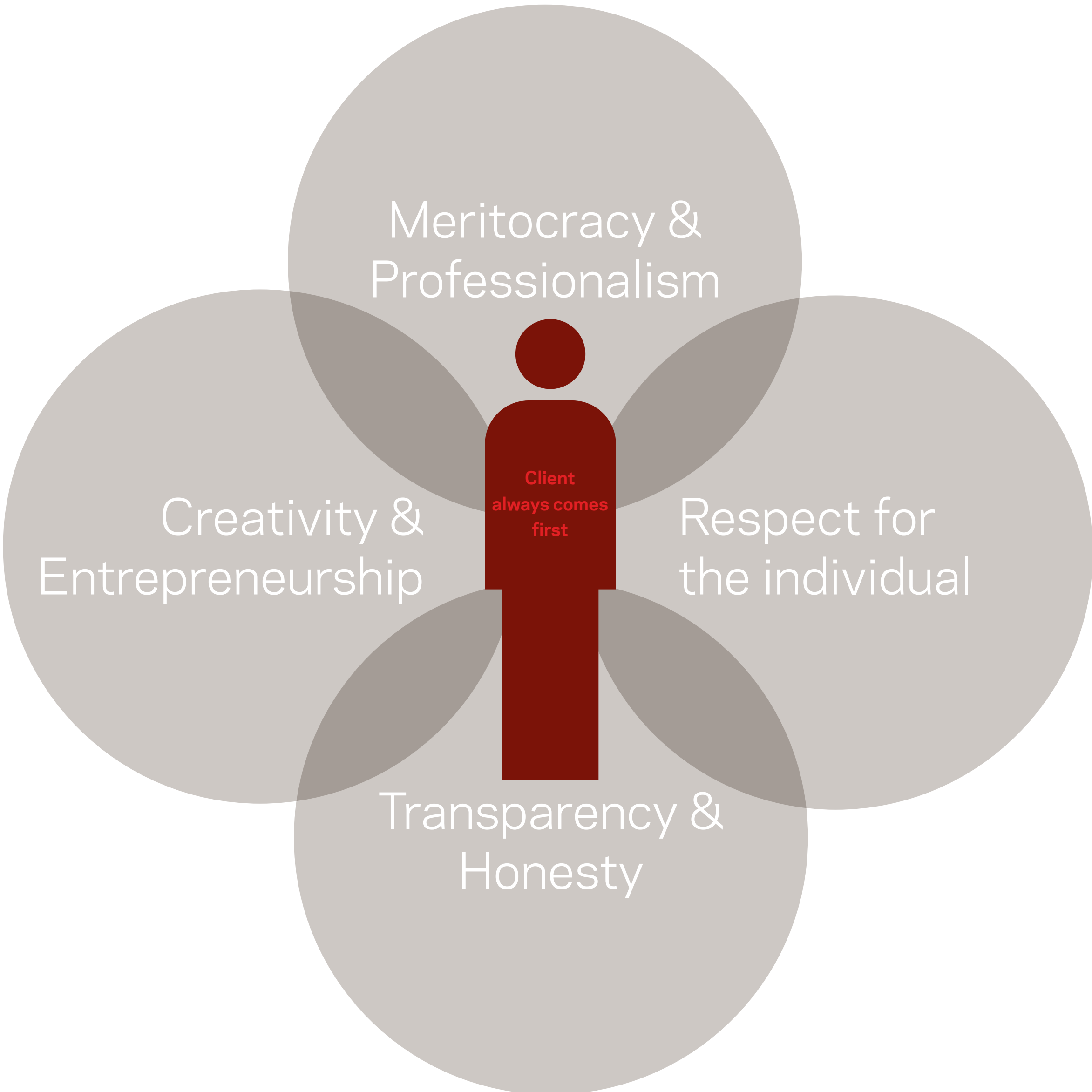
1
Representation Office

39
Offices

Vision

To be a leading banking and financial group, with an active international presence, and a leader in Andorra. We seek the best solutions for our clients, managing their wealth with a team of highly talented professionals.

Andbank Values



Key figures

22,760 M€
AUM

BBB
Fitch Ratings

76.60 %
Liquidity

1,181
Employees

20.72 %
Solvency

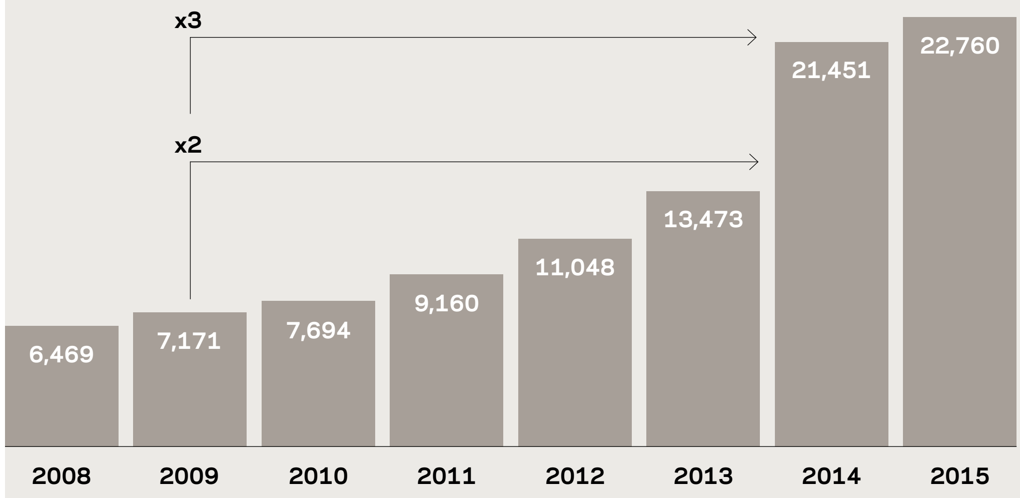
3.34 %
NPL ratio

552
Core Capital

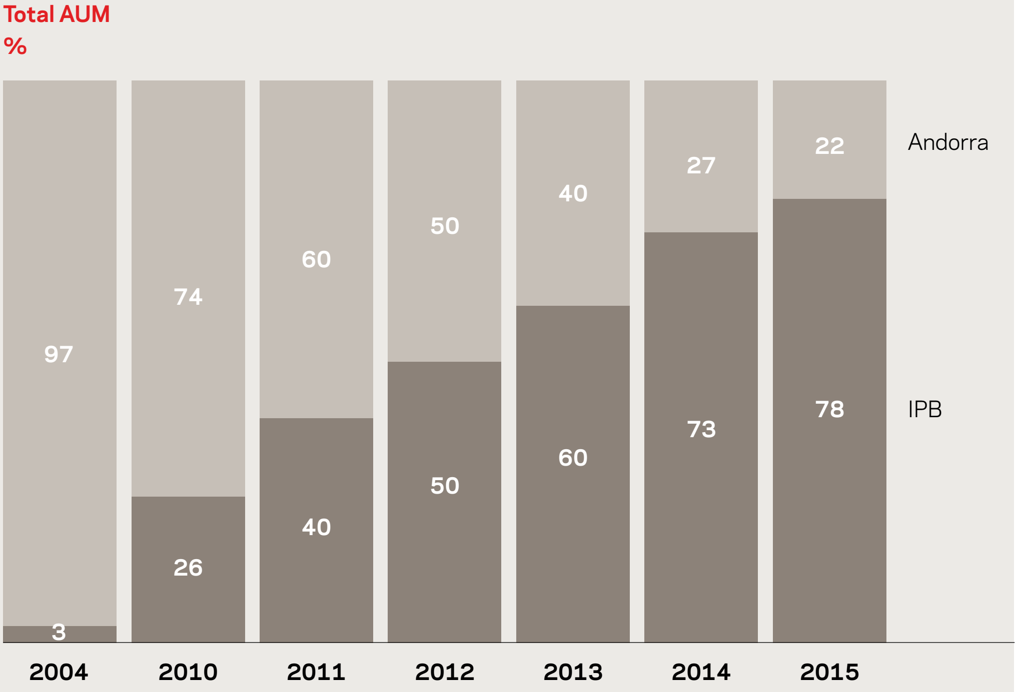
33
Nationalities

We have surpassed our goals

AUM Evolution
In million euros



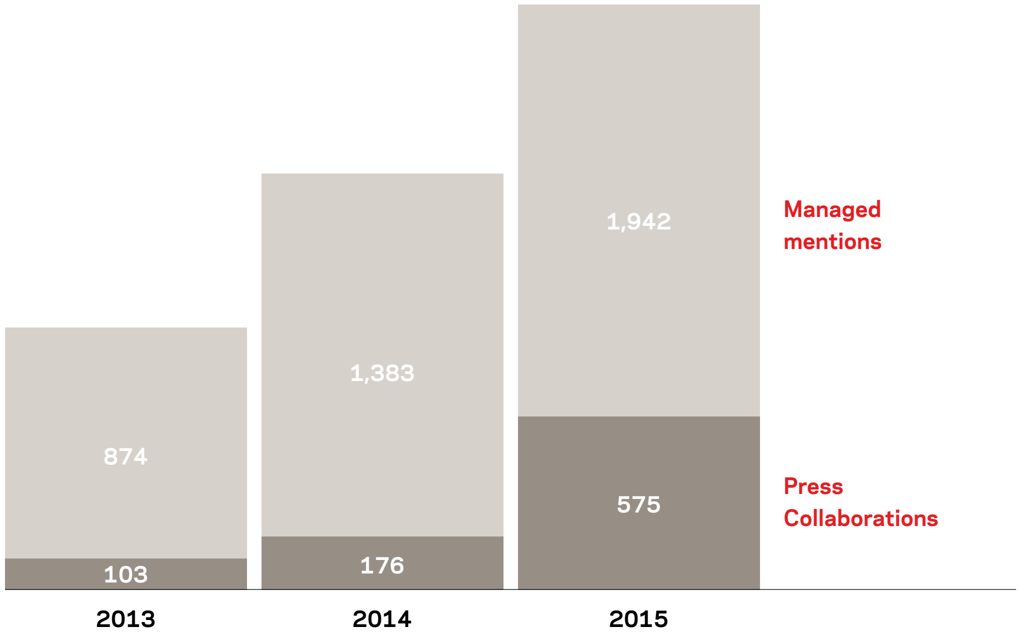
A fully International Bank



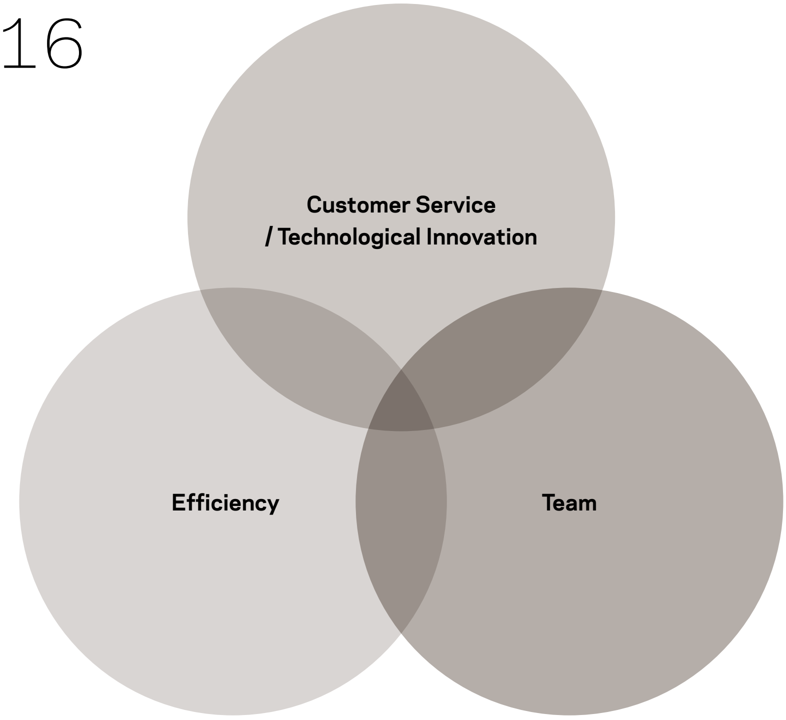
Growing in solvency and Balance Sheet diversification

Income Statement (in thousands of euros)	2015	2014
Net Interest Income	50,913	50,370
Net Interest margin commissions	209,876	170,897
Gross Operating Income	249,125	220,259
Net Profit	**54,048**	**64,269**

Dissemination of financial content



Goals 2016



1.

LETTER FROM THE CHAIRMAN

Letter from the Chairman

During 2015, world GDP growth remained moderate by historical standards (3.1%) and was even slightly lower than the previous year (3.2%). The modest improvement observed in the developed countries was amply outweighed by the slowdown in the emerging economies, where there were large variations between countries and regions.

In the developed countries, economic activity remained relatively resilient, in a context characterized by still accommodating financing conditions, an improvement in the labor markets, low oil prices and a reduction of the adverse effects caused by private sector deleveraging and fiscal consolidation.

In the emerging economies, in contrast, the rate of economic growth slowed considerably as a result of the greater uncertainty regarding China and also because of chronic obstacles (such as those related to infrastructure bottlenecks). In particular, the decline in commodity prices prompted a sharp slowdown in the commodity-exporting economies.

Financing conditions at world level continued to be accommodating in general. The Federal Reserve postponed the commencement of the monetary policy normalization process until the end of 2015, while both the Bank of Japan and the ECB continued to implement an expansive monetary policy and the Bank of England kept its monetary policy unchanged. In this environment, risk aversion in the financial markets remained at relatively low levels for the most part of the year. In the third quarter, however, a severe price correction in the Chinese stock markets led to a considerable increase in volatility. Although the contagion effects in the real economy have been limited, market concern over the strength of the economic growth in the emerging economies has triggered sharp falls in the main stock market indexes and exchange rates of all the undeveloped economies.

Behind the widespread lack of confidence lies a decline in the rate of growth of international trade (as measured by the change in world imports of goods and services). This decline continued in 2015 for the third year running, with year-on-year growth of just 1.7% in the first half, well below the 3.5% recorded in 2014. The causes of the persistent weakness of international trade are multiple. Cyclical factors such as the slow recovery of global economic activity have no doubt had a lot to do with the slowdown. But there have also been changes in the demand composition of global GDP, as (import-intensive) investment demand has been particularly slack.

Added to this complex economic situation is the refugee crisis in Europe and the terrorist threat, both of which have been present throughout the year, occupying the news. In Andorra, BPA was taken under government control; and its subsequent restructuring has been both an added difficulty and a tough test, which the financial sector has passed with flying colors.

In this environment, it is more important than ever that we assume responsibility for our customers. At Andbank we firmly believe that preserving our customers' wealth and making it grow is our sole objective. The 6% increase in customer funds, bringing assets under management to 22,760 million EUR, is therefore a significant achievement. Andbank has consolidated its position as the leading bank in Andorra, with a market share of more than 50%. Our experience in private banking vouches for us and ensures the continuity of our relationships with our customers. Thanks to our independence of judgement, assured by the fact that we are a private banking institution and not an investment bank, our analysts are able to select the best investment solutions, without conflicts of interest, always for the good of our customers.

Thanks to the efforts of the whole of the Andbank team, today made up of more than 1,000 people, we have ended 2015 with very positive results, which maintain our solvency and liquidity well above the industry average. The solvency ratio has risen to 20.72%, twice the minimum level required by the supervisor, which is 10%. We also have an excellent liquidity ratio of 76.60%, again well above the regulatory minimum of 40%.

Despite the complexity of the economic situation, our main income statement figures for 2015 have reached very comfortable levels, with gross operating income at an all-time high of 249 million EUR, up 13% on the previous year. This result shows, once again, our business model's excellent capacity to generate results.

With interest rates in the euro environment close to 0% and strong investment in international growth, while taking a prudent approach to balance sheet management, we closed financial year 2015 with net profit of 54 million EUR. This is 20% more than expected and highlights our strength as a financial institution, delivering a return to shareholders (ROE) in excess of 11%.

Internationally, to reinforce Andbank's strategy of geographical diversification, we have entered into an alliance with the Israeli investment boutique Sigma Investment House. The acquisition of 60% of Sigma's business gives us a presence in a unique market, Israel, a country with high potential on a global scale. Sigma Investment House aims to become one of the top players in the Israeli capital market by taking a leadership position in the private banking sector. During 2015 we consolidated our position and grew in all the jurisdictions in which we are present.

There is no doubt that through the efforts of all the Andbank team, with their readiness to anticipate and adapt to change, and through our commitment, we will continue along the path we set for ourselves some years ago. Our achievements were recognized in 2015 through the awards granted to us by prestigious financial magazines, including The Banker, Global Finance and The European, which voted Andbank the best private banking entity in Andorra.

The credit rating agency Fitch Ratings has registered its approval of Andbank's management by assigning a long-term rating of BBB with a stable outlook. This rating is also proof of the sound structure of the bank's corporate governance and the strict internal and process control implemented throughout the group. Fitch emphasizes the bank's high capital ratio and efficient liquidity management.

This year, we celebrated the 85th anniversary of our creation and end the year with the satisfaction of knowing that, thanks to our strong values, we have reaffirmed our commitment to Andorra, while at the same time achieving significant and sustainable growth internationally. By opening up to international markets we are able to offer our customers a diversified service, adapted to their jurisdictions and their needs.

As shareholders, we consider 2015 to have been a very good year, one that served to strengthen our business model. We face the future with optimism, even though the financial market outlook for 2016 may not seem very encouraging. Ours is a long-term project: we are working in an increasingly competitive global environment and so will have to deal with increasingly fast-moving and demanding scenarios. But we have faith in our business model and in our team, who work to provide better service every day. Given the trends in the global economy and the financial markets, our challenge for the year ahead will be to cement our global growth and invest in management tools, while maintaining scrupulous legal compliance, so as to concentrate on getting results for our customers. We are committed to seeking excellence in service, without forgetting our most valuable assets: our team and our customers.

Manel Cerqueda Donadeu
Chairman

2.

WORLD ECONOMIC REVIEW 2015

World Economic Review 2015

Performance of the global economy in 2015

Global economic activity slowed significantly towards the end of the year. Low interest rates, improving labor markets and greater confidence strengthened the outlook for developed economies, but the numbers have been signaling a gradual slowdown in activity and both developed and emerging economies were weaker than expected by year end.

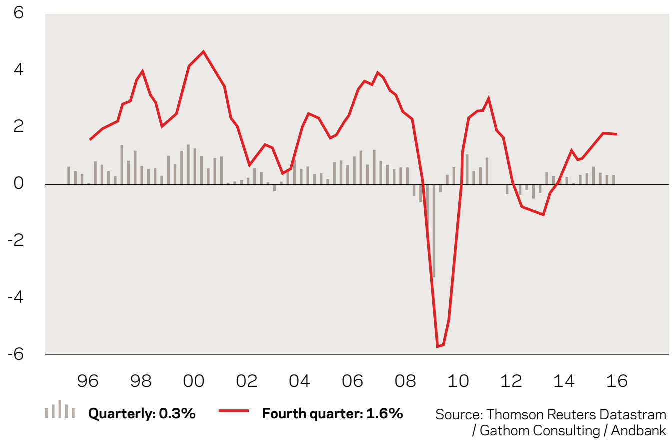
In the USA, the economy experienced a sharp deceleration in the last quarter of 2015 after posting strong growth in the third quarter. The Japanese economy also ran out of steam and once again contracted in the fourth quarter. Of the main developed economies, excluding the Eurozone, only the UK seems to have continued to record robust and sustained growth in the second half of the year. Growth in the emerging economies also slowed in Q4 2015. One of the defining factors of this contraction was Asia's emerging economies, partly as a result of the current correction of certain imbalances in the Chinese economy. In Latin America, economic activity also tailed off towards the end of 2015, mainly as a result of the deep recession in Brazil and more generally due to the adverse effects of lower commodity prices in the region's raw material producing countries.

Eurozone

The economic recovery in the Eurozone continued throughout the year, although at a slower than expected pace in the latter part as a result of greater weakness abroad. In quarter-on-quarter terms, real GDP grew by 0.3% in Q4 2015, boosted by domestic demand despite the negative contribution from net foreign demand.

Low levels of public investment in various European countries, especially those subject to market pressures, also contributed to the deceleration. This reduction in public spending in a low interest rate environment has led to demands to boost public investment as a

Euro Area GDP. Percentage changes.



Source: Thomson Reuters Datastram / Gathom Consulting / Andbank way of stimulating short-term demand. In the European Union, this has led to the adoption of the Investment Plan for Europe (2015). However, the budget situation in many EU countries continues to be extremely precarious and the provisions of the Stability and Growth Pact have led to the adoption of additional fiscal consolidation measures in many countries. This would partly explain the modest levels of activity.

The Eurozone (19) ended 2015 with growth of 1.5%, while the EU (28) posted 1.8% in real terms.

USA

In the USA, domestic economic fundamentals have continued to be favorable: (1) the ongoing recovery of the labor market has gradually led to higher nominal wages, which combined with some stubbornly low oil prices, has benefited real disposable income and consumption; (2) the continuation of the housing market recovery; and (3) a slightly expansionary aspect to public finances has also helped to stimulate economic activity.

On the downside, credit and financing conditions have become tougher despite low interest rates, while the falling oil price has somewhat deflated private investment. Net foreign demand has continued to drag due to an appreciating US Dollar and weak growth in foreign demand.

The USA ended 2015 with growth of 2.4% for the year as a whole.

United Kingdom

The UK economy has continued to grow at a steady rate, largely driven by consumers, as lower energy prices are buoying real disposable income levels.

Compared to the Eurozone, investment growth has continued to be positive —albeit lower— compared to previous years, boosted by easier credit. However, certain domestic factors have worked against stronger performance. Growth, for example, may have been affected by the uncertainty surrounding the referendum on the UK's membership of the European Union, although we believe that the impact of this issue has been relatively minor so far. Net foreign demand also dragged UK growth lower during the last two quarters of 2015.

Taking 2015 as a whole, real GDP in the UK grew by 2.2% (below the 2.9% recorded in 2014). By segment, the deceleration could be explained by lower public spending (+1.7% in 2015 compared to +2.5% in 2014) and gross capital formation that has risen at a slower rate (+4.2% in 2015 versus +7.3% in 2014).

Japan

The economic recovery in Japan has remained weak. After returning to moderate growth in the third quarter of 2015, the economy slowed again in the last quarter against a backdrop of contraction in global demand and stalling private consumption.

Japan therefore ended 2015 on a negative note (–0.3% q/q in Q4) and annual growth of only 0.7%.

Emerging economies in Asia

The process of rebalancing the Chinese economy has led to a gradual deceleration in economic activity in the Asian powerhouse. China's problems of excess capacity have inevitably led to a drop in investment, which has not been fully offset by higher consumer spending. Furthermore, the correction of the stock market overvaluation in the summer only served to fuel greater uncertainty, although this does not seem to have had any significant and direct consequences on economic activity.

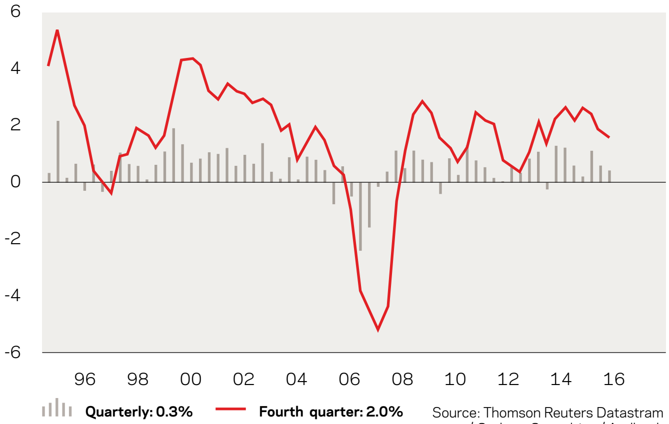
The cuts in official interest rates, the central government's modest fiscal stimulus, low oil prices and efforts to reduce restrictions on local government finances have all had a positive impact on demand. However, the greater focus on trimming overcapacity in some heavy industries and tackling the issue of the associated bad loans produced an overly negative image of China in 2015 that is perhaps not in synch with the actual state of its economy.

Latin America

Brazil's economy has slowed considerably. The political uncertainty and the depreciating exchange rate set against a backdrop of lower commodity prices and a tightening of monetary policy and financing conditions are all affecting the economic activity of the region's largest economy.

Commodities stabilized during 2015, which undoubtedly made the situation worse in the region's biggest economies, most notably Brazil, Argentina and Mexico.

US GDP. Percentage changes.



Source: Thomson Reuters Datastram / Gathom Consulting / Andbank

Financial markets performance in 2015

Fixed income markets

The markets have pushed back their expectations of a return to normalcy in US and UK monetary policy, in response to growing signs of weakness around the globe.

The instability of the 10-year US Treasury bond continued throughout the year and it remained at historically low levels, undoubtedly reflecting the global disinflation process. For the year as a whole, the bond yield increased imperceptibly from 2.17% to 2.27% at year-end.

The German Bund experienced something very similar, moving within a range of historically low yields throughout the year and ending 2015 only nine basis points higher (from 0.54% to 0.63%).

By contrast, risk premiums and yields on peripheral bonds continued to fall, although performance varied depending on the issuing government. Accordingly, while the Spanish bond yield rose slightly in 2015 (from 1.58% to 1.77%), this was not the case in Italy (from 1.88% to 1.6%), Portugal (from 2.64% to 2.48%) or Ireland (from 1.21% to 1.14%).

Emerging government debt performed spectacularly in some cases, with the 10-year Chinese bond yield tightening by 80bp (to 2.80%); the Russian bond was the year's star asset with a yield that tumbled 411bp from 13.82% to 9.71%; and other issuers such as Taiwan, Thailand and South Korea also experienced notable improvements in their cost of funding, with average declines of 43bp.

On the downside, Brazil's sovereign debt performed terribly (+407bp and +325bp in local currency and USD, respectively) as did Turkey (+265bp) and Mexico (+45bp for local bonds).

Spreads on corporate bonds also performed poorly in general, both in EUR and US Dollars. Investment grade spreads in EUR widened during the year (from 62bp to 77bp), while narrowing slightly for euro-denominated high yield bonds (good performance from 344 to 321bp). In the USD market, risk premiums for investment grade widened (from 66 to 88bp), while there was a sharp correction in high yield (suffering a loss equivalent to 5.6% in price terms).

Equity markets

Global equity markets had an erratic year following an 8.9% rise in 2014. Taken as a whole, the average (linear) appreciation in 2015 was 0%, but this figure conceals some major differences depending on the market.

The US market, measured by the S&P index, posted a mediocre performance (-0.73%), while in Europe the Stoxx 600 performed well (+6.79%). Japan shone in 2015 (+9.07%), driven by Kuroda's monetary stimulus, as did China (+9.4% for the Shanghai Stock Exchange), which was the best performing index among the major markets in 2015 (despite the instability in this market towards the end of the year).

Those markets that entered negative territory include Brazil (-13.3% on the Bovespa), Spain (-7.15% for the IBEX), Hong Kong (-7.1%) and India (-5%).

Commodities

The collapse in commodity prices continued across the board in 2015. The CRY general index lost 23%, oil fell by 30% (from \$53 to \$37) and precious metals (gold) lost 10% (from \$1,183 to \$1,060).

Currencies

Most notable in the currency markets has been the 10% depreciation in the Euro against the USD, dropping from 1.21 to 1.09 EUR/USD.

There were also important declines in some emerging market currencies, especially in Latin America where the Brazilian Real lost 50% of its value against the US Dollar (from 2.66 to 3.96 per Dollar) and the Mexican peso was also down against USD (-16%). In China the yuan remained much more stable against the Dollar compared to other currencies, falling by only 5% in 2015.

For their part, the Japanese Yen and Swiss Franc also remained steady against the US Dollar at around ¥120/USD and 1 Franc/USD.

Lastly, the Pound fell 6% against the Dollar from 0.64 to 0.68/USD.

3.

WORLD ECONOMIC OUTLOOK 2016

World Economic Outlook 2016

World economic outlook 2016

Although the global economy has been posting weaker than expected growth for some time, this should be seen within a context of rising volatility in financial markets and a degree of sluggishness in international trade flows. Nevertheless, this undoubtedly indicates that global activity could actually get weaker and this could well be the new norm. Outside the Eurozone, some emerging economies may suffer from the recent tightening in financing conditions; borrowings denominated in foreign currency in a context of downward pressure on their national currencies; and in the case of countries that produce raw materials, the decline in commodity prices. In developed economies, the obstacles to growth are generally less significant thanks to more favorable lending terms and because they generally stand to benefit more from cheaper commodities. However, they are certainly not immune to shocks.

Eurozone

During this first quarter of 2016, Mario Draghi has continued to implement expansionary monetary measures. On 10 March, he announced an increase in the asset purchase program (from €60 billion per month to €80 billion, and declared that investment grade corporate bonds would also be included in the program). Disappointing economic performance lay behind this decision and the ECB cut its own forecasts when these measures were announced. Eurozone GDP estimates for 2016 were subsequently slashed from 1.7% to 1.4% and the new inflation forecast for the year was also significantly lowered from 1.0% to 0.1%.

In addition to these measures, the ECB cut deposit rates, pushing them even further into negative territory (to -0.4%) while declaring a series of measures designed to compensate the banking sector (for the distorting effects of the negative interest rates). The ECB announced a new program of remunerated refinancing operations (loans) for banks. This gives rise to two questions, shared by most economic agents: How low is Mario Draghi prepared to take rates? How long will he keep them low or negative? In our opinion, we believe that Draghi will not take deposit rates much lower following his announcement of parallel measures that will cost money (remunerated refinancing and loans). The current level of -0.40% (or perhaps -0.50%) could be the floor for the zero interest rate policy. With regards to the second question (how long?), the objective of the negative interest rate policy could coincide with the end of the latest remunerated refinancing programme — in other words, 2021.

The potential impact of these expansionary monetary policies will mainly be felt by the markets. In particular, the market that will probably benefit most will be corporate debt, with around €500 billion in issues every year. If Draghi allocates part of the "new" and additional €20 billion that has been used to expand this program, it could end up purchasing between 25% and 36% of the total amount issued, which would have a positive impact on the price of these assets. The high-yield debt market is another segment that may benefit from these measures, as investors search for returns once investment grade corporate bond prices rise. Financial debt could also perform well in this environment. The rise in government and corporate debt prices will undoubtedly have a positive influence on the price of financial debt. The ECB's monetary program will have a greater impact on BBB-rated bonds, especially those issued by utilities and automotive firms (sectors with the highest volume of eligible securities that could be purchased through this program).

In the political sphere, the situation in Spain continued to be uncertain at the end of the first quarter, with the most likely scenario being new elections, while in Portugal, the country's budget proposal was approved by the European Parliament. In the United Kingdom, the 23 June referendum on the UK's membership of the EU continues monopolizing the headlines, giving rise to all kinds of speculation and negative effects from so much uncertainty, which has impacted various economic indicators (confidence and investment) and European financial assets, especially UK assets.

It is certainly very difficult to analyze the potential fallout from this referendum, since there are various factors that will undoubtedly play an important role when determining the vote and for which no reasonable forecasts exist. Such decisive factors include the refugee crisis, the economic debate on the impact of an exit from the European Union (which can be argued either way), German-inspired austerity, Greece's bankruptcy and so on.

USA

There are signs that credit conditions in the banking sector are already becoming tougher in 2016, at least for a subset of companies looking for commercial and industrial loans. Perhaps this is in response to the fact that bank lending in the USA has now been growing for three consecutive years, reaching a rate of 5% yoy at the end of Q1 2016, which is not good news.

We continue to expect two rate hikes from the Fed in 2016. US GDP growth slowed considerably in the last quarter of 2015, from 2% in the third quarter to 0.7% (driven by temporary factors such as a major downturn in new housing construction and lower demand for heating due to unseasonably mild weather). The downturn in financial markets and tightening financial conditions in the US have raised doubts about growth prospects in 2016. However, in our core scenario, the recent instability should not deteriorate into a full-blown financial crisis. Why do we feel relatively optimistic? There are several reasons:

1. Most of the adjustments to share prices have already been made.
2. The negative impact on investment of falling oil prices should decrease since we expect prices to stabilize.
3. The positive impact of the lower oil price on consumption should be more significant.
4. Employment and rising household incomes continue to be favorable.
5. The savings rate rose to a surprising level at the end of 2015.
6. The recovery in the housing market is also set to continue.
7. Budget policy will become slightly more expansive this year.
8. In January, the banks began a race to provision their exposure to energy sector loans.
9. Banks are expected to hold onto their derivatives portfolios in an environment in which the disruption associated with oil price movements stabilizes.

We believe that GDP growth in 2016 will be around 2% and we rule out any clear slowdown at present. Year-on-year CPI in 2016 will be 1.5% while unemployment will remain close to recent lows of 5%.

Japan

After several years of expansionary fiscal and monetary policies, we can see no clear momentum in the Japanese economy. The latest business survey figures reflect this, with the level for large companies falling to -3.2 in the first quarter of 2016 (from +4.6 in Q4 2015), while the data is worse still for small manufacturers (-19.3 down from the previous level of -6.6). Japan's GDP contracted at a worse than expected seasonally-adjusted annual rate of -1.4% in the fourth quarter of 2015.

Against this backdrop, the Bank of Japan (BoJ) continues to pursue its unconventional QE policies with the latest decision by its governor to follow the global trend of negative deposit rates (-0.10%). More important —if possible— are the observations made by the Japanese monetary authorities about the possibility of even more negative interest rates. Kuroda has suggested that a deposit rate of -0.50% could be technically possible.

For 2016, most analysts are looking out for additional stimulus measures (whether more negative interest rates or an extension to the asset purchase program by the Bank of Japan). The news from the BoJ also points in this direction, with eight out of nine members of the Bank's board in favor of continuing to expand the monetary base at a rate of ¥80 billion/month.

In our opinion, and following various disappointing figures from the Japanese economy, the Bank of Japan could be facing a point of no return. Any appreciation in the Yen (as has occurred during early 2016) will hit the profits of Japan's exporters, which in turn will have a detrimental impact on the important salary negotiations taking place in the country. As a result, the BoJ will need to decide whether to abandon its expansive monetary policy (which is incapable of moving the FX rate) or, conversely, to double its efforts, ratcheting up these policies even further. If it opts for the latter (as we believe), it will try to "remove" private agents (investors) from the debt market, which includes banks, so that they put their considerable reserves to work in the real economy or invest them in assets with higher returns. How can it achieve such an objective? By taking deposit rates into even more negative territory or expanding the asset purchase program to bring an even larger proportion of government debt under central bank ownership. However, we question whether such a strategy would work since from a private institution's point of view (a bank or an insurance company), forcing these agents to acquire higher risk assets with higher returns is equivalent to proposing that they move away from stable returns and towards capital gains. In uncertain times, this move may not be particularly attractive.

Why is the Japanese market one of the most volatile and continues to be so? Monetary stimulus seeks to promote economic growth by means of 1) The wealth effect, 2) A competitive Yen, and 3) Improving corporate profits. These three forces were expected to act independently, but that has not been the case. Consequently, any doubts about the effectiveness of this policy are always magnified in the financial markets.

The advantages of the Bank of Japan's monetary easing have been: 1) "Inflated" corporate profits, due to the low value of the Yen; 2) Higher activity rate in the labor market, and 3) A return to positive growth in nominal terms, which helped to reverse the deflationary mind-set in Japan (the private sector began to spend and invest to a certain degree). However, the recent adoption of negative interest rates has been interpreted by investors as a sign of the BoJ's willingness "to do whatever it takes". The message to the market was that Kuroda was taking a desperate gamble after the Bank of Japan's QE reached its limits.

Consequently, there is a growing perception that the Bank is building a house of cards with asset prices. If the Japanese public debt (JGB) bubble eventually bursts, the Bank of Japan will not be in a position to fulfill its role as a lender of last resort for the simple reason that it will end up being the sole owner of most of the assets.

The danger stems from the fact that if the market increasingly believes that the BoJ's policy is reaching a point of no return, in other words, that its gamble is "all or nothing", the Bank would lose all credibility, including the benefit of the doubt that its gamble makes sense. Let's not forget that Abenomics is all about confidence, but if the game reaches its limit it may all come tumbling down.

China

The response to the pressures experienced in mid-2015 by those responsible for China's policies revealed a certain degree of incompetence. They implemented poorly designed measures to shore up share prices in the market (using the automatic share price suspension system) and there was a lack of communication regarding changes in monetary policy, which led to the real purpose of the new exchange rate system being misinterpreted.

This has weakened investor confidence in Chinese markets and probably in the ability of the authorities to manage the structural transition that China faces in the coming years.

However, we believe that Chinese share prices do not reflect economic fundamentals. The idea that the share price collapse last year was due to weakening economic conditions is not borne out by a 30% appreciation in the Shanghai Composite index since mid-2014. Similarly, the evolution in share prices has had little effect on Chinese economic activity (there is no noticeable "poverty affect" in consumer spending; indeed, real retail sales seem to have increased. Remember that only one in every 30 people in China owns shares). And if the stock market is not very relevant to the Chinese economy, why should it be to the rest of the world? Nonetheless, many of the concerns at a global level can be traced back to what has occurred in this domestic stock market. In fact, our local sources say that there is very little evidence that the economy is actually suffering a hard landing, as many believe.

In short, China is growing at a slower rate (slower than the official figures), but it has not stalled and recent figures point to a stabilization or even an upturn in activity, which is borne out by the low-profile indicators for Chinese economic activity, the export figures of its trading partners and labor market data (which would be expected to weaken if the economy was really experiencing serious difficulties).

Global investors have undoubtedly been increasingly pessimistic about the outlook for China, but there are reasons to believe that this has been exaggerated. One of the problems is a lack of trust in official GDP figures. We are therefore focusing on the GDP indicators used by independent analysis firms, based on a series of measures that are harder to manipulate. According to these indicators, growth is lower than suggested by official figures and although there was a sharp deceleration in the first half of 2015, growth has been relatively stable since then. With the increase in stimulus policies, we are more likely to see a recovery in short-term growth rather than the major deceleration that many are expecting: 1) policy measures have been relaxed and are expected to ease further; 2) fiscal spending has recovered strongly, and 3) the latest lending figures suggest that monetary easing is also having an effect.

With regards to fears about important outflows from the central bank's (PBoC) reserves, it should be noted that these flows seem to have normalized, with international reserves totaling 3.2 billion USD in February (from 3.23 billion USD in January). What really matters is the fact that the current levels, which although lower than the previously held highs, continue to be extremely ample based on economic criteria. The IMF recommends holding reserves equivalent to a specific proportion of the volume of national imports (3-5 months of imports) and a specific proportion according to the stock of external debt. Based on these quantitative criteria, China would require reserves equivalent to 2 billion USD. It is currently holding reserves worth 3.2 billion USD. This is why we believe that fears over recent outflows of reserves have been exaggerated.

In the area of reforms, we continue to see important progress. The recent opening of the domestic bond market to foreign investors could help alleviate these capital outflow pressures and pave the way for Chinese bonds to be included in global debt indices (such as the Citigroup World Government Bond Index), which could even reverse the trend and lead to an influx of foreign capital.

One major reform to carry out would be the proposal by the president of the Shenzhen stock market, Song Liping, to include domestic shares as a payment method in corporate transactions abroad. This would help to lower the borrowing costs of Chinese businesses and improve profitability and investor returns.

In this same area, the government has announced that it will once again lower the threshold for foreign investment and reduce foreign capital controls. Such decisions continue to help open up the capital account.

In the business sphere, and more specifically regarding the problem of overcapacity in some sectors, the Chinese authorities seem to have accepted this reality and instead of keeping these companies running at 100% and distorting sales prices (many developed countries are accusing China of sinking the price of some metals such as aluminum), the authorities have decided to absorb the losses of this overcapacity and take a large part out of production. This could involve laying off six million workers in these "zombie" industries over the next two or three years. One positive aspect of this decision, which should not be overlooked, will be the beneficial effect on pollution.

The surge in property prices in the last few months in Tier-1 cities has not been caused by loose monetary policy, but by the proliferation of alternative funding mechanisms (crowdfunding, P2P, etc.). The authorities have announced new measures to prevent prices spiraling out of control and creating a new real estate bubble. These measures include paying 70% of the property value upfront in the case of second homes.

The challenge still lies in enabling the private sector to compete with state companies and finding a way of channeling credit towards more solvent borrowers.

We forecast that China will grow by 6% in 2016 and that inflation will remain under control. In the longer term, we think that the slowdown in activity (towards 5%) will become the norm.

India

According to our collaborators for the region, the economists, bankers, investors, business leaders and journalists that they have visited are now more optimistic and agree that better days are around the corner for this nation.

Naturally, Narendra Modi's new administration has inherited some negative aspects (ineffectual ministers, ardent opposition in Parliament, etc.), which have prevented Modi from passing some of his campaign reforms and which are widely anticipated by international investors. The most pressing of these relate to the country's extremely fragmented and confusing tax system, land regulations and the labor laws.

And there are still those who think that there is little evidence of any firm progress on the reforms agenda besides Modi's rhetoric. His manufacturing stimulus is unlikely to employ even a fraction of the millions of workers joining the labor force every year, although several of the reforms implemented have the potential to go far beyond what anyone imagines.

The Aadhaar Bill, which marks the start of digital identification of every citizen, represents a hugely important step in modernizing the country. This reform intends to put an end to wasted public funds, which is a chronic problem for an administration that is leaking enormous amounts of capital. The digitalization process will enable subsidy payments to end up in the right hands, preventing funds from being diverted and the subsequent loss to citizens and the economy. Even more important will be the imminent move towards widespread banking use that will accompany the digitalization, since welfare payments will mainly be made by bank transfer, attracting and integrating hundreds of millions of people into the banking system. This process will inject a huge volume of domestic savings into the system, benefitting both the money base in the economy and the speed of transactions.

The banking system (still the main source of financing) continues to be beset by problems due to potentially uncollectible debts held by the major banks (publicaly-owned banks represent 70% of the assets in the banking system) The "distressed loan" ratio has increased over the last year and is now officially 11.3%. On the positive side, the delinquency rate dropped sharply in 2015 when the Reserve Bank of India (RBI) "stood its ground" and imposed a deadline of March 2017 for banks to resolve their non-performing loans, which probably means that the news coming out the banking sector will get worse in the coming months (as banks are forced to recognize their bad debts).

How have the authorities decided to tackle the debt problem? To date, the plan was based on the hope that economic growth would resolve the problem (hence the mountain of restructured loans with renegotiated payments and extended maturities). However, this strategy of "refinance and look away" has not been a success as it has not improved the quality of the assets. The objective now seems to be recovery through repossession, in which the lender takes possession of the security asset from the borrower, without resorting to legal proceedings, in order to subsequently sell it. Another officially supported restructuring mechanism is to allow banks to swap corporate debt for equity as part of a restructuring plan. The government has also agreed to play its part by recapitalizing state-owned banks.

If successful, this would bring greater protection to the banking sector as a whole, while closing the net on debtors compared to the current situation. The formal bankruptcy process could be reduced to six months from the four years that is common at present.

At a macroeconomic level, our forecasts for this economy are favorable. India has managed to bring inflation under control. Consequently, the repo rate in 2015 was drastically cut from 7.75% to 6.75%, which has helped to maintain GDP growth at 7.4%, while government bond yields have fallen by 110 bp in 18 months (from 8.86% to 7.85%).

India has benefitted (and will continue doing so) from the collapse in oil prices, with a significant boost to its foreign trade. For the first time in nearly eight quarters, the net trade balance is making a positive contribution to GDP (+0.52 pp of the +7.3% in real GDP growth recorded in 2015). Capital investment (GFCF) stalled in the fourth quarter of 2015 (from 8.9 billion IDR to 8.6 billion IDR), but continues to be the second highest figure in five years. Furthermore, lending has risen constantly since October, posting a year-on-year increase of 11% in January (compared to 8.81% in October). Lastly, foreign investment rose by 18% in the first nine months of the year.

Latin America

The debt situation in Brazil is rapidly deteriorating although it does not represent an immediate threat (government debt remains at 67%). Debt is on track to surge 10 pp every year and is not attributable to one-off fiscal stabilization measures (countercyclical tax expenditure) but years of poor spending control. Any hopes of rebalancing and fiscal control faded with the resignation of finance minister Joaquim Levy, replaced by Nelson Barbosa, who promises to be more compliant with President Rousseff's demands. The fiscal can will probably be kicked down the road, with government debt likely to hit the dangerous level of 90% GDP by the time that the next presidential elections come around (2018).

Currency reserves remain high (350 billion USD), while foreign liabilities have remained stable (and modest).

The financial system is also stable (banks enjoy the widest interest margins in the world) and the banking sector is not facing any immediate funding problems (the loan-to-deposit ratio is still below 1). Despite the fact that bank asset quality is deteriorating, this is occurring slowly and we see little likelihood of a financial disaster.

In terms of financial investment, foreign investors have not reduced their exposure to Brazil in any significant way and are unlikely to do so (institutional investors that are not subject to mark-to-market accounting), since they currently have no other option than to hold their bonds following the losses in 2015.

Dilma Rousseff's departure now seems closer than ever (75% probability according to the consultancy firm Eurasia), but it is worth asking if there is actually a coherent and organized alternative politician in Brazil. Whatever happens, Rousseff may end up out of government in one of two ways: 1) Congress moves ahead with the political trial (although the credibility of this process is undermined by the fact that the president of Congress —and a major proponent of Rousseff's impeachment— is implicated in the Petrobras corruption cases), or 2) The Electoral Court annuls the result of the 2014 election following the recent investigations, which point to possible irregular financing by the government. If the court makes this decision before the end of 2016, new elections would automatically be triggered, which Dilma Rousseff would presumably lose based on the polls and her extremely low popularity. If it waits until 2017, Congress would appoint an interim president until the next elections in 2018 and the problem of political paralysis would continue unresolved.

In Mexico, the decision to raise interest rates by 50bp to 3.75% in the first quarter of 2016, the introduction of a policy of direct intervention in the foreign exchange market and the announcement of additional budget cuts represent a combined effort by the Bank of Mexico and the government to alleviate pressure on the peso. However, the long-term stabilization of the currency will largely depend on whether oil prices bottom out and confidence in emerging markets improves.

The rate hike does not seem to be the start of a series of rate increases and simply reflects the central bank's decision to bring forward rate rises that were already anticipated.

The authorities also decided to put an end to the rules-based approach (selling 200 million USD in foreign currency for every 1% fall in the peso) and to replace it with discretional direct intervention in the foreign exchange market (widening the margin in order to respond at times of high market volatility).

With regards to the new round of budget cuts, under which expenditure will be reduced by 0.7% of GDP this year (in addition to the previously planned cuts for this year of 0.5% of GDP), it is worth noting that the bulk of the adjustment will fall on state-owned company Pemex, thereby protecting consumers from the worst effects of this policy of fiscal tightening (although its effect on investment will mean that mining production continues its decline).

These measures are intended to adjust public finances to the latest fall in oil prices (which accounts for around 30% of government revenues) and to curb potential inflation rises caused by the depreciation of the peso.

The downside is that some of these measures (such as the interest rate hike) will damage growth, which could fall below the consensus forecast of 2.7% this year. The upside is undoubtedly the positive message sent to the financial markets that the authorities are not going to allow public finances to spiral out of control. This should be well received by the market and will ultimately translate into historically low funding costs for Mexican citizens (without government), which will help save public and private funds that will be available for other uses.

The correlation between the exchange rate and the price of oil has strengthened, coinciding with the decline in Pemex's credit risk premium, and more recently the exchange rate has moved in parallel with the rebound in oil prices. We continue to forecast a rate of 17.50 against the USD for 2016. In the debt market, yields have remained relatively stable. Taking into account the money market's reaction to the Bank of Mexico's rate hike (flattening curve), our forecast for the M10T10 spread continues to be between 400–425bp for 2016. We see a sell level for the M10 at 6.30%. For USD-denominated sovereign debt, we maintain our view of 4.40% for UMS10.

In Argentina, President Mauricio Macri's first 100 days in office have seen an impressive range of measures to turn around the country's fragile situation and put it on more sustainable footing. These first 100 days of his presidency can therefore be judged a resounding success.

Although fiscal and monetary policy will both need further tightening in the months ahead if Mr Macri is to fully address the country's macro imbalances, the president and his team have undoubtedly taken some significant steps to alleviate Argentina's balance of payment problems:

1. The official peso exchange rate has been devalued by 35%.
2. Support for the currency has been scaled back, which helps to build FX reserves.
3. Foreign exchange and import controls have been lifted. This has been one of the major factors that has helped to shore up the central bank's reserves in recent months.
4. Macri has also cut tariffs on a range of agricultural exports such as wheat, corn and soybeans.

The initial impact of these reforms, in conjunction with the peso devaluation, has been striking — grain exports surged from just $450 mn in November to $2.4bn in January.

On the fiscal side, some utility subsidies have been cut, but more needs to be done. The recent increase in electricity tariffs will help to narrow the public deficit, but by less than one percentage point. The issue of price controls has yet to be tackled. In early 2014, the government introduced a formal price control program (Precios Cuidados), imposing caps on the prices of 300 consumer goods, which has now been expanded to more than 500 products. Not only has this been wholly ineffective in taming inflation, but it has also hit business profit margins and investment. Cutting spending will be the key to reining in the budget deficit. One student support program, PROG.R.ES.AR, was launched in January 2014 and has significantly expanded in scope since then, while a subsidized housing program, PRO.CRE.AR, has also continued to grow. Introducing some restraint into social welfare spending would demonstrate that Mr Macri is serious about bringing the spiralling deficit and debt under control.

No less important has been managing the problem with the holdouts. Macri has struck a provisional deal with holdout creditors that should pave the way for Argentina to return to international capital markets.

Financial markets outlook in 2016

Bond markets

In the current scenario of low global inflation, nominal bond yields will continue at historical lows, although the downward trend of recent years may have reached its conclusion.

We see a range for the 10-year US Treasury bond of between 2% and 3%, becoming a "buy" at the upper level.

Swap rates have fallen sharply to 1.61% (from 1.90%) and yields on 10-year USTs have gone the same way, from 2.07% to 1.82%. Consequently, the swap spread became even more negative (from -17bp to -21bp). For this spread to normalize towards the +20bp area, with 10Y CPI expectations (swap rate) anchored in the 2%-2.25% range, the 10Y UST yield would have to move towards 1.92% (this should be considered a floor).

However, the 10Y UST yield curve has flattened out again (from 117bp to 105bp). The short end of the curve is stable at around 1.25%. To reach the 10-year average slope (173bp), the UST yield would have to go to 2.98% (which should be considered a ceiling).

In the case of the German Bund, yields will remain extremely low and we do not rule out 0%. However, at these levels the carry does not offset the risk of an upturn and we therefore recommend giving it a wide berth. Entry point is at 0.88%, although we think it is almost impossible that this will be reached in 2016. Euro swap rates have narrowed to 0.57% (from 0.75%) and Bund yields have fallen to 0.12% (from 0.37%). The swap spread rose to 45bp (from 38bp). For this spread to normalize towards 30-40bp, with 10Y inflation expectations (swap rate) anchored in the 1%-1.25% range, the Bund yield would have to move towards 0.8% Furthermore, the slope of the EUR curve has flattened to 64bp (from 81bp the previous month). When the short end "normalizes" in the -0.25% area, the Bund yield would have to go to 0.88% to reach the 10yr average slope (113bp). This should be considered a ceiling for 2016.

In terms of peripheral European debt, the scenario is relatively benign for bonds from these governments (low growth, low inflation, increased ECB asset purchases). The ECB's asset purchase program already fully absorbs the gross issuance of core countries, but also a big chunk of debt issuance from peripheral economies.

Our targets are now at the lower end of our range in recent years, although there seems to be limited scope for a significant decrease in yields from current levels. Target yields for 10-year government bonds are: Spain 1.4%; Italy 1.3%; Portugal 2.5% and Ireland 0.8%.

In emerging market fixed income, we continue to see yields converging with the bonds of countries in the West, which will ensure falling yields (rising prices) for these bonds, especially in Asia. We therefore maintain a positive outlook for these assets. Target yields for 10-year government bonds in Asia are: China 2.4%; India 7%; Indonesia 7.2%; Philippines 3.35%; Malaysia 3.3%; Singapore 1.5%; Taiwan 1% and Korea 2%.

In Latin America, we see greater vulnerability to an external shock and the threat of tighter monetary policy by the Fed (and subsequent strengthening of the USD) could have a more negative impact. The targets for these 10 year bonds are: Mexico (local ccy) 6.3%; Mexico (USD) 4.4%; Brazil (local ccy) 14%; Brazil (USD) 6%.

Equity markets

We believe that only certain markets will be profitable in 2016, with our preference being Europe, India, China and Mexico.

In Europe (measured by the Stoxx 600), we forecast sales growth of around 3.5% and margins that will slightly recover towards 7.7% (from 7.2% in 2015), driven by lower financing costs — courtesy of Draghi's QE — and the absence of wage pressure. With an estimated PER of 15, the target for this index is 360 (from 338 today).

In Spain (measured by the Ibex 35), we forecast sales growth of 0.7% and stable margins of 8.1%. With an estimated PER of 14.5, the target for this index is 9,310 (8,737 today).

In the USA (S&P 500), we are forecasting sales growth of around 4.6% and margins that will fall to 9.7% (from 10.4% in 2015), due to higher rates from the Fed, tougher credit conditions and higher wages. With an estimated PER of 17, the target for the S&P 500 is 1,949 (2,064 today).

In China (Shanghai Stock Exchange Composite), we estimate sales growth of around 7% and margins that will remain stable at 8.8% (despite lower financing costs). With a forecast PER of 13, the target for this index is 3,247 (from 3,004 today).

In India (Sensex), we are forecasting sales growth of around 11% and margins that will rise slightly to 11.8% from 11.4%. With a PER forecast of 17, the target for this index is 27,965 (25,405 today).

For Mexico, we set a target of 47,800 for the PIC index (from 46,192 today).

In Brazil, we forecast a target for the Bovespa index of 50,000 (from 51,249 today).

Lastly, in Japan we set a target for the Nikkei of 16,445, down from 16,759 today.

Commodities
The crude oil shock experienced in late 2015 and early 2016 seems to have stabilized and there are (in our view) good reasons to believe that prices could remain around current levels (around US$40/barrel WTI). US shale producers cut their production hedges in the fourth quarter of 2015. Only 15-20% of US oil production in 2016 is currently hedged and as little as 2% of 2017 production, suggesting that these producers are not expecting a major downturn in prices.

However, hedge funds, which are highly exposed to leveraged energy loans, have seen these positions plummet in value and they were using short oil contracts to hedge them (since there is no market for CDS on leveraged loans). Once a more direct hedging mechanism emerges or fears about a disorderly bankruptcy of energy firms are lifted (related to uncontrolled falls in the oil price), these hedge funds may close their short oil positions which could help to underpin oil prices.

US shale oil producers are pushing fracking technology to new limits in order to extract more oil from their wells. Although the impact of these techniques may not be noticeable today, with so few wells in operation, it may mean that drillers are capable of stepping up production faster than ever once prices recover, effectively capping the oil price.

In the gold market, we still fail to see value in this commodity and we recommend waiting until US$900/oz to buy. In real terms (constant 2009 prices), gold is currently priced at US$1,110/oz, still above its 20-year average of US$750. Given our global deflator of 1.1030 (Implicit Price Deflator — Domestic Final Sales, with a base year of 2009), for the gold price to stay near its historical average in real terms, its nominal price must approach US$827. Measured in terms of oil, the gold/oil ratio has risen to 38.48 (from 33.6 previously) and remains above its long-term average of 14.09. If the average oil price stays at US$40/barrel, the nominal price of gold must approach US$563 for this ratio to remain close to its long-term average level.

The gold-to-equities ratio (Dow Jones Index/Gold) (inverse) has moved to 13.41 (from 14.39 previously), still below its long-term average of 20.4. Given our long-term target price for the DJI of $16,700, the nominal price of gold must approach US$818 for this ratio to remain near its long-term average.

Currencies
Our targets for the principal crosses during 2016 are as follows: EUR/USD 1.05; JPY/USD 120; JPY/EUR 126; GBP/USD 0.65; GBP/EUR 0.68; CHF/USD 1.00; CHF/EUR 1.05; MXN/USD 17.5; MXN/EUR 18.4; BRL/USD 4.00; BRL/EUR 4.20 and CNY/USD 6.20.

4.

AUDITOR'S REPORT

KPMG, S.L.U.
Edifici Centre de Negoci
C/ Manuel Cerqueda i Escaler 6
AD700 Escaldes-Engordany
Principat d'Andorra

Independent Auditors' Report

To the shareholders of
Andorra Banc Agricol Reig, S.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Andorra Banc Agricol Reig, S.A. ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of 31 December 2015, the consolidated profit and loss account, the consolidated statement of source and application of funds and the notes on the consolidated financial statements for the year then ended.

Boards of Directors' Responsibility for the Consolidated Financial Statements

The Bank's Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Accounting Plan of the Andorran Financial System, and for such internal control as the Bank's Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Bank's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG, S.L.U. societat andorrana de responsabilitat limitada i membre de la xarxa KPMG de firmes independents afiliades a KPMG International Cooperative ("KPMG International"), societat suïssa.

Inscrita al Registre de Societats del M.I. Govern amb el número 8040, Llibre S-81, folis 145 a 152, N.R.T. L-703201-Z

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Andorra Banc Agrícol Reig, S.A. and its subsidiaries as at 31 December 2015, and of their consolidated balance sheet, and their consolidated sources and applications of funds for the year then ended in accordance with the accounting principles and valuation criteria established by the Accounting Plan of the Andorran Financial System.

KPMG, SLU

Albert Rosés Noguer

31 march 2016

5.

FINANCIAL STATEMENTS ANDBANK GROUP

Consolidated Balance Sheets at 31 December 2015 and 2014

Expressed in thousands of EUR

Assets	2015	2014
Cash and central banks of the OECD	**76,818**	**40,560**
INAF (Andorran National Institute of Finance) (note 4)	**210**	**210**
Financial intermediaries on sight and banks and credit institutions (notes 4 and 5)	**1,030,201**	**1,268,929**
Banks and credit institutions	1,030,217	1,269,948
Other financial intermediaries	111	1
Provisions for loan losses	(127)	(1,020)
Loans and receivables (notes 4 and 6)	**1,816,948**	**1,853,800**
Loans and advances to customers	1,764,527	1,805,098
Customer account overdrafts	86,010	88,873
Customer discounted notes	9,312	5,518
Provisions for loan losses	(42,901)	(45,689)
Investment securities (notes 4 and 7)	**1,646,256**	**1,169,515**
Bonds and other fixed-income securities	1,598,729	1,118,926
Provisions for loan losses	(2,269)	(2,581)
Securities valuation reserve	-	(5,247)
Investments in Group companies	3,491	4,391
Securities valuation reserve	(50)	(45)
Other investments	4,781	4,797
Securities valuation reserve	(58)	(58)
Shares and other variable-income securities	6,952	6,206
Securities valuation reserve	-	-
Investment funds	35,709	45,417
Securities valuation reserve	(2,291)	(2,291)
Own shares	1,262	-
Gains on consolidation (note 8,b)	**149,630**	**136,338**
Intangible assets and amortizable costs (note 8,a)	**85,115**	**76,110**
Intangible assets and amortizable costs	135,306	117,424
Amortization	(50,153)	(41,314)
Provision for amortization of intangible assets	(38)	-
Tangible assets (note 8,a)	**93,298**	**166,631**
Tangible assets	162,031	265,448
Depreciation	(64,254)	(96,664)
Provision for depreciation of tangible assets	(4,479)	(2,153)
Prepayments and accrued income	**49,134**	**50,373**
Interest accrued and not collected	42,905	41,526
Prepaid expenses	6,229	8,847
Other assets (note 13)	**116,386**	**135,935**
Operations in progress	9,230	9,695
Inventories	14	13
Options purchased	48,687	71,939
Other	46,799	46,250
Taxes	11,656	8,038
TOTAL ASSETS	**5,063,996**	**4,898,401**

The accompanying notes 1 to 24 form an integral part of these consolidated financial statements.

Consolidated Balance Sheets at 31 December 2015 and 2014

Expressed in thousands of EUR

Liabilities	2015	2014
INAF (Andorran National Institute of Finance) (note 4)	**13,115**	**4,212**
Creditors (note 4)	**4,115,650**	**4,102,070**
Banks and credit institutions	454,037	328,880
Other financial intermediaries	27,160	97,615
Customer deposits	3,634,453	3,675,575
Debt securities (note 4)	**173,675**	**65,509**
Provisions for risks and contingencies (note 9)	**15,674**	**12,898**
Provisions for pensions and similar obligations	7,416	6,844
Other provisions	8,258	6,054
Subordinated liabilities (note 11)	**50,000**	**-**
General risks reserve (note 11)	**4,729**	**8,493**
Accrued expenses and deferred income	**41,112**	**34,024**
Unpaid accrued expenses	37,746	32,952
Deferred income	3,366	1,072
Other liabilities (note 13)	**97,616**	**132,434**
Dividends payable	358	-
Operations in progress	4,327	19,554
Options issued	3,631	747
Suppliers and other creditors	59,272	86,363
Taxes	30,028	25,770
Share capital (note 11)	**78,842**	**78,842**
Subscribed capital	78,842	78,842
Reserves (note 11)	**418,849**	**395,650**
Legal reserve	15,768	15,768
Guarantee reserves	23,439	22,077
Statutory reserves	-	-
Voluntary reserves	286,143	205,787
Consolidation reserves	24,573	17,529
Revaluation reserves (note 8)	1,942	61,175
Own share reserves	1,262	-
Share premium	73,441	73,441
Translation differences	(7,719)	(127)
Profit (notes 10 and 11)	**54,048**	**64,269**
Profit for the year	54,048	64,269
Interim dividend	-	-
Minority interests	**686**	**-**
TOTAL LIABILITIES	**5,063,996**	**4,898,401**

The accompanying notes 1 to 24 form an integral part of these consolidated financial statements.

Consolidated Memorandum Accounts at 31 December 2015 and 2014

Expressed in thousands of EUR

Memorandum accounts	2015	2014
Contingent liabilities	**94,412**	**87,101**
Guarantees, bonding, sureties and other	94,412	86,998
Documentary letters of credit issued to or received from and confirmed by customers	-	103
Notes and similar accepted	-	-
Commitments and contingent risks	**244,533**	**302,173**
Commitments and operational risks	236,672	294,602
Commitments and actuarial risks	7,861	7,571
Futures operations (note 14)	**5,294,332**	**6,612,725**
Outstanding forward currency purchases and sales	1,808,450	2,383,362
Forward financial instrument operations	3,485,882	4,229,363
Security deposits and other securities held in custody (note 19)	**15,177,880**	**15,388,132**
Security deposits and other securities held in custody of third parties	13,812,506	14,784,996
Security deposits and other securities in own custody	1,365,374	603,136
Other memorandum accounts exclusively for administrative control	**1,234,818**	**1,319,827**
Guarantees and commitments received	1,052,180	1,097,805
Other memorandum accounts (note 21)	182,638	222,022
TOTAL MEMORANDUM ACCOUNTS	**22,045,975**	**23,709,958**

The accompanying notes 1 to 24 form an integral part of these consolidated financial statements.

Consolidated Income Statements for the years ended 31 December 2015 and 2014

Expressed in thousands of EUR

Income Statements	2015	2014
Interest and similar income	**146,367**	**135,466**
INAF and financial intermediaries on sight and term	77	62,681
Loans and receivables	112,556	39,696
Bonds and other fixed-income securities	33,734	33,089
Interest and similar charges	**(95,652)**	**(90,450)**
INAF and financial intermediaries	(78,186)	(76,429)
Customer deposits	(11,925)	(13,943)
Others	(5,541)	(78)
Income from variable income securities	**198**	**5,354**
Investments in Group companies	-	5,251
Other investments	198	103
NET INTEREST MARGIN	**50,913**	**50,370**
Net fees and commissions on services	**158,963**	**120,527**
Fees and commissions accrued on services rendered	199,714	144,387
Fees and commissions accrued on services received	(40,751)	(23,860)
Gains on financial assets or liabilities	**37,780**	**49,198**
Net charges to securities valuation reserve	4,154	12,001
Foreign exchange gains	6,449	4,240
Profit on securities operations	15,045	19,163
Profits/(Losses) on futures operations	7,601	8,741
Other	3,734	4,134
Exchange gains/losses on consolidation		-
Share of losses/profits of equity accounted companies	797	919
Other profit from ordinary activity	**1,469**	**164**
GROSS OPERATING MARGIN	**249,125**	**220,259**
Personnel expenses	**(105,639)**	**(79,193)**
Personnel, board of directors and severance indemnities	(96,335)	(72,093)
Social Security	(5,397)	(4,523)
Other personnel expenses	(3,907)	(2,577)
Overheads	**(63,441)**	**(40,060)**
Material	(438)	(325)
External services	(50,154)	(30,152)
Taxes (note 20)	(3,518)	(2,431)
Other overheads	(9,331)	(7,152)
Amortization and depreciation of fixed assets, net of recoveries (note 8)	**(19,391)**	**(11,289)**
Charge to the provision for amortization and depreciation of intangible and tangible assets	(19,391)	(11,289)
Provisions for amortization and depreciation of fixed assets, net of recoveries (note 8)	**(582)**	**(3,608)**

The accompanying notes 1 to 24 form an integral part of these consolidated financial statements.

Expressed in thousands of EUR

Income Statements	2015	2014
NET OPERATING MARGIN	**60,072**	**86,109**
Provisions for loan losses, net of recoveries	**(8,042)**	**(7,479)**
Charges to the provision for loan losses (notes 5, 6 and 7)	(8,915)	(9,306)
Recoveries of provision for loan losses	873	1,827
Provisions for risks and contingencies, net of recoveries (note 9.b)	**(1,742)**	**(737)**
Charges to provisions for risks and contingencies	(1,742)	(1,359)
Recoveries of provisions for risks and contingencies	-	622
Charges to general risks reserve (note 11.g)	**(200)**	**(3,100)**
PROFIT FROM ORDINARY ACTIVITY	**50,088**	**74,793**
Extraordinary profit (loss) (note 11)	**6,588**	**(3,389)**
PROFIT BEFORE INCOME TAX	**56,676**	**71,404**
Income tax (note 15)	**(722)**	**(6,562)**
Foreign income tax	**(1,906)**	**(573)**
CONSOLIDATED PROFIT	**54,048**	**64,269**
Profit attributed to minority interests	**-**	**-**
Profits attributed to the Group	**54,048**	**64,269**

The accompanying notes 1 to 24 form an integral part of these consolidated financial statements.

Consolidated Statements of Source and Application of Funds for the years ended 31 December 2015 and 2014

Expressed in thousands of EUR

Source of funds	2015	2014
Funds generated from operations	**79,253**	**92,439**
Profit for the year	54,048	64,269
Net charges to provision for loan losses	8,042	7,480
Net charges to provision for fixed asset depreciation	582	3,607
Net charges to securities valuation reserve	(4,154)	-
Net charges to other provisions (pension funds and general risks)	1,742	3,737
Amortisation and depreciation of intangible and tangible assets	19,391	11,289
Profit (Loss) on sale of fixed assets	3,806	2,038
Profit (Loss) on sale of own shares and investments	-	-
Profit (Loss) on sale of fixed assets	(3,406)	-
Profit (Loss) on sale of own shares and investments	-	-
Other	-	-
Profit (Loss) contributed by equity accounted companies (-)	(797)	19
Increase in liabilities less assets	**373,792**	**307,329**
INAF and financial intermediaries	8,904	2,153
Banks and credit institutions (Liabilities-Assets)	364,888	-
Other financial intermediaries (Liabilities-Assets)	-	98,075
Other items (Liabilities-Assets)	-	207,101
Net increase in liabilities	**158,166**	**984,849**
Creditors: customers	-	984,849
Debt securities	108,166	-
Subordinated liabilities	50,000	-
Net decrease in assets	**12,341**	**-**
Cash and central banks of the OECD	-	-
Loans and receivables: customers	12,341	-
Securities portfolio, less investments	-	-
Sale of non-current investments	**87,643**	**12**
Sale of investments	-	12
Sale of fixed assets	87,643	-
Funds from financing activities	**-**	**-**
External capital contributions	-	-
Other equity items	-	-
Dividends from non-current investments	-	-
TOTAL SOURCE OF FUNDS	**711,195**	**1,384,629**

The accompanying notes 1 to 24 form an integral part of these consolidated financial statements.

Consolidated Statements of Source and Application of Funds for the years ended 31 December 2015 and 2014

Expressed in thousands of EUR

Application of funds	2015	2014
Funds used in operations	**3,764**	**12,001**
Application of other funds (pension funds, etc.)	-	-
Other	3,764	12,001
Increase in assets less liabilities	**87,157**	**952,735**
INAF (Assets-Liabilities)	-	-
Banks and credit institutions (Liabilities-Assets)	-	948,126
Other financial intermediaries (Assets-Liabilities)	70,565	-
Other items (Assets-Liabilities)	16,592	4,609
Net decrease in liabilities	**41,122**	**15,749**
Creditors: customers	41,122	-
Debt securities	-	15,749
Net increase in assets	**508,177**	**199,051**
Cash and central banks of the OECD	36,258	3,296
Loans and receivables: Customers	-	131,655
Securities portfolio, less investments	471,919	64,100
Acquisition of non-current investments	**42,072**	**195,277**
Acquisition of investments	357	101,426
Acquisition of fixed assets	41,715	93,851
Funds applied to financing activities	**28,904**	**9,816**
Interim dividend for the year	-	-
Complementary dividends from prior year	27,860	9,816
Decrease in reserves	1,044	-
Other equity items	-	-
TOTAL APPLICATION OF FUNDS	**711,195**	**1,384,629**

The accompanying notes 1 to 24 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

1. Activity

Andorra Banc Agrícol Reig, S.A. is a limited liability company incorporated in 1930, protected by the law of Andorra, with registered office in Escaldes-Engordany (Principality of Andorra).

At an extraordinary meeting held on 10 May 2002, the shareholders adopted a resolution to change its registered name from Banc Agrícol i Comercial d'Andorra, S.A., to Andorra Banc Agrícol Reig, S.A. (hereinafter Andbank or the Bank), together with a corresponding modification of article 1 of its articles of association. The Bank's statutory activity is to carry out banking activities, as defined by the regulations of the Andorran financial system. In addition, it can undertake any activity related to or which complements its statutory activity.

In order to adapt to Law 7/2013 of 9 May 2013, on 28 June 2013, the Board of Directors expanded the statutory activities to all those activities that Andorran financial system legislation allows banking entities to carry out and so that it may also perform as many operations and activities which are accessory or complementary to the principal activity.

Andbank is the Parent of the Andorra Banc Agrícol Reig Group (hereinafter the Andbank Group), which comprises the companies listed in notes 2.d and 7.b.

As a member of the Andorran financial system, Andbank is subject to the supervision of the INAF, which is the Andorran financial system's authority and which performs its functions independently from the General Administration. The Bank is also subject to compliance with local Andorran legislation (see note 22).

2. Basis of Presentation and Consolidation Principles

a) Fair presentation

The accompanying consolidated financial statements comply with the format established by the Decree approving the normalized Accounting Plan to be implemented by all operators in the financial system by 19 January 2000, as published in the Official Gazette of the Principality of Andorra Number 5, year 12, on 26 January 2000. The consolidated financial statements were prepared on the basis of Andorra Banc Agrícol Reig, S.A.'s accounting records and those of its subsidiaries as at 31 December 2015, to give a true and fair view of the equity and financial position of the Group, the consolidated results, and consolidated source and application of funds at that date.

The figures included in the documents that comprise these consolidated financial statements are expressed in thousands of EUR.

The consolidated financial statements of the Group and of the subsidiaries comprising the Group are pending approval by the shareholders at their respective general meetings. However, management considers that they will be approved without significant changes. The financial statements for 2014 were approved by the shareholders at their general meeting on 30 April 2015.

The financial statements of Andorra Banc Agrícol Reig SA at 31 December 2015 and 2014 have been presented separately from the aforementioned financial statements. The key financial indicators disclosed in the aforementioned financial statements are as follows:

Thousands of EUR	2015	2014
Total assets	4,148,622	4,042,087
Share capital and reserves	480,837	457,090
Profit for the year	46,527	58,570

b) Comparative information

The information relating to 2014, contained in the consolidated financial statements for 2015, is presented exclusively for comparative purposes and does not therefore form part of the Group's consolidated financial statements for 2015.

c) Significant Accounting Principles

These consolidated financial statements have been prepared following the generally accepted accounting principles described in note 3. There are no mandatory accounting principles which have not been applied that would have a significant effect on preparation of the consolidated annual accounts.

d) Consolidation principles applied to the financial statements

The consolidated financial statements of the Group at 31 December 2015 and 2014 have been prepared by the management of the Bank.

The most significant subsidiaries of Andorra Banc Agrícol Reig, SA at 31 December 2015 and 2014 and their main corporate data is as follows (expressed in thousands of EUR):

Notes to the Consolidated Financial Statements

2015

Company	Registered office	Activity	% Direct investment
Caronte 2002, SLU	Andorra	Services	100%
Clau d'Or, SL	Andorra	Real estate	100%
Món Immobiliari, SLU (*)	Andorra	Real estate	100%
Andorra Gestió Agrícol Reig, SAU	Andorra	Investment fund management	100%
Andbank Bahamas (Limited).	Bahamas	Bank	100%
Nobilitas N.V.	Dutch Antilles	Holding	100%
Egregia B.V.	Netherlands	Special purpose vehicle	-
Zumzeiga Coöperatief U.A	Netherlands	Special purpose vehicle	-
Andorra Assegurances Agrícol Reig, SAU	Andorra	Insurance	100%
AndPrivate Wealth S.A.	Switzerland	Asset management	-
Columbus de México, S.A.C.V.	Mexico	Asset management	-
Quest Capital Advisers Agente de Valores, S.A.	Uruguay	Securities broker	-
Andbank Asset Management Luxembourg, SA	Luxembourg	Investment fund management	-
Andbank Luxembourg S.A.	Luxembourg	Bank	100%
Andbank España, S.A.	Spain	Bank	100%
Andbank Wealth Management, SGIIC, SAU	Spain	Securities broker	-
Medipatrimonia Invest, S.L.	Spain	Investment services company	-
AndPrivate Consulting, S.L.	Spain	Services	100%
Andbanc Wealth Management LLC	USA	Holding	-
Andbanc Advisory LLC	USA	Advisory services	-
Andbanc Brokerage LLC	USA	Financial services	-
APW International Advisors Ltd.(*)	British Virgin Islands	Asset management	100%
APW Consultores Financeiros, Lda	Brazil	Financial services	100%
AND PB Financial Services, S.A	Uruguay	Representation office	100%
Andorra Capital Agrícol Reig BV	Netherlands	Special purpose vehicle	100%
Andbank (Panamá) S.A.	Panama	Bank	100%
And Private Wealth (Chile) (*)	Chile	Financial services	-
Andbank Monaco SAM	Monaco	Bank	100%
Tonsel Corporation	Belize	Special purpose vehicle	100%
Mangusta Antilles Holding, N.V.	Curaçao	Special purpose vehicle	-
LLA Participaçoes Ltda	Brazil	Portfolio and collective investment undertaking management company	77,94%
Andbank (Brasil) Holding Financeira Ltda	Brazil	Holding	100%
Banco Andbank (Brasil), S.A	Brazil	Bank	-
Sigma Investment House Ltd.	Israel	Holding	60%
Sigma Portfolio Management Ltd.	Israel	Portfolio management	-
Sigma Premium Ltd.	Israel	Portfolio management and advisory services	-
Sigma Mutual Funds	Israel	Investment fund management	-
Sigma Financial Planning Insurance Agency Ltd.	Israel	Investment fund management	-
APW Uruguay SA	Uruguay	Services	100%
AndPrivate Wealth Securites SA	Panama	Investment advice	-
APC Servicios Administrativos SLU	Spain	Services	-

(*) Data from 31 December 2014

Expressed in thousands of EUR

% Indirect investment	Audited company	Interim dividend	Equity	Share capital	Reserves	Prior years' losses pending offset	Profit/(loss)
-	No	-	32	32	-	-	-
-	No	-	(61)	30	3	(88)	(6)
-	No	-	91	27	64	-	-
-	Yes	5,100	2,819	1,000	1,329	-	5,590
-	Yes	3,850	37,991	21,500	14,555	-	5,786
-	Yes	-	(1,868)	1,000	7,172	(7,757)	(2,282)
100%	Yes	-	3,551	180	11,469	(6,400)	(1,698)
100%	Yes	-	(11,107)	551	-	(9,861)	(1,796)
-	Yes	400	3,282	2,404	481	-	797
100%	Yes	-	3,493	3,723	-	1,026	(1,256)
50%	Yes	-	742	887	-	43	(188)
100%	Yes	-	3,026	13	1	1,611	1,401
100%	Yes	-	5,355	3,000	-	1,414	940
-	Yes	-	49,896	54,100	-	(3,743)	(461)
-	Yes	-	201,780	75,000	128,143	(4,657)	3,294
100%	Yes	-	2,806	1,004	734	-	1,069
51%	Yes	-	134	28	883	(889)	112
-	Yes	-	(3,158)	3	-	(2,310)	(851)
100%	Yes	-	(761)	11,422	-	(10,562)	(1,622)
100%	Yes	-	1,817	1,793	-	402	(378)
100%	Yes	-	482	1,891	-	(1,204)	(204)
-	Yes	-	285	-	-	-	285
-	Yes	-	(6,604)	224	-	(5,427)	(1,401)
-	Yes	-	105	153	-	22	(71)
-	Yes	-	177	18	-	91	67
-	Yes	4,311	10,172	6,420	(17)	1,524	6,556
100%	Yes	-	-	-	-	-	-
-	Yes	-	26,433	21,000	2,407	2,321	705
-	No	-	(315)	46	-	(360)	-
100%	No	-	-	-	-	-	-
-	Yes	-	19	9	10	-	(1)
-	Yes	-	24,924	22,857	-	(1)	2,069
100%	Yes	-	18,867	23,961	249	(8,205)	2,862
-	Yes	-	353	-	798	(443)	(3)
60%	Yes	-	(804)	-	1,589	(1,458)	(936)
60%	Yes	-	(218)	-	728	(1,002)	56
60%	Yes	-	1,086	164	469	(308)	761
60%	Yes	-	(373)	-	-	(409)	36
-	Yes	-	(475)	351	-	(5)	(822)
100%	No	-	642	642	-	-	-
100%	No	-	48	50	-	-	(2)

Notes to the Consolidated Financial Statements

2014

Company	Registered office	Activity	% Direct investment
Caronte 2002, SLU (*)	Andorra	Services	100%
Clau d'Or, S.L. (*)	Andorra	Real estate	100%
Món Immobiliari, SLU (*)	Andorra	Real estate	100%
Andorra Gestió Agrícol Reig, S.A.U.	Andorra	Investment fund management	100%
Andbank Bahamas (Limited).	Bahamas	Bank	100%
Nobilitas N.V.	Dutch Antilles	Holding	100%
Egregia B.V.	Netherlands	Special purpose vehicle	-
Zumzeiga Coöperatief U.A	Netherlands	Special purpose vehicle	-
Andorra Assegurances Agrícol Reig, S.A.U.	Andorra	Insurance	100%
AndPrivate Wealth S.A.	Switzerland	Asset management	-
Columbus de México, S.A.C.V.	Mexico	Asset management	-
Quest Capital Advisers Agente de Valores, S.A.	Uruguay	Securities broker	-
Andbank Asset Management Luxembourg, S.A.	Luxembourg	Investment fund management	-
Andbank Luxembourg S.A.	Luxembourg	Bank	100%
Andbank España, S.A.	Spain	Bank	100%
Andbank Wealth Management, SGIIC, SAU	Spain	Securities broker	-
Medipatrimonia Invest, S.L.	Spain	Investment services company	-
AndPrivate Consulting, S.L.	Spain	Services	100%
Andbanc Wealth Management LLC	USA	Holding	-
Andbanc Advisory LLC	USA	Advisory services	-
Andbanc Brokerage LLC	USA	Financial services	-
APW International Advisors Ltd.(*)	British Virgin Islands	Asset management	100%
APW Consultores Financeiros, Lda	Brazil	Financial services	100%
AND PB Financial Services, S.A.	Uruguay	Representation office	100%
Andorra Capital Agrícol Reig BV	Netherlands	Special purpose vehicle	100%
Andbank (Panamá) S.A.	Panama	Bank	100%
And Private Wealth (Chile) (*)	Chile	Financial services	-
Andbank Monaco SAM	Monaco	Bank	100%
Tonsel Corporation	Belize	Special purpose vehicle	100%
Mangusta Antilles Holding, N.V.	Curaçao	Special purpose vehicle	-
LLA Participaçoes Ltda	Brazil	Portfolio and collective investment undertaking management company	51,63%
Andbank (Brasil) Holding Financeira Ltda.	Brazil	Holding	100%

(*) Data from 31 December 2013

Expressed in thousands of EUR

% Indirect investment	Audited company	Interim dividend	Equity	Share capital	Reserves	Prior years' losses pending offset	Profit/(loss)
-	No	-	38	32	6	-	-
-	No	-	8	30	79	(77)	(24)
-	No	-	15	30	95	(106)	(4)
-	Yes	2,700	2,529	1,000	1,200	-	3,029
-	Yes	3,770	35,804	21,500	12,048	-	6,027
-	No	-	(1,131)	1,000	8,933	(9,606)	(1,458)
100%	No	-	2,689	180	11,469	(8,295)	(665)
100%	No	-	1,592	551	-	1,725	(684)
-	Yes	500	3,304	2,404	481	-	919
100%	Yes	-	2,635	3,350	-	28	(744)
50%	Yes	-	978	692	-	148	138
100%	Yes	-	2,132	12	1	460	1,659
100%	Yes	-	4,685	3,000	-	(554)	2,238
-	Yes	-	51,229	54,100	-	(3,776)	905
-	Yes	-	198,809	75,000	128,920	(3,446)	(1,545)
100%	Yes	-	1,700	1,004	187	-	509
51%	Yes	-	(26)	28	883	(688)	(248)
-	No	-	(2,307)	3	-	(2,136)	(174)
100%	No	-	470	9,747	-	(7,365)	(1,912)
100%	Yes	-	2,109	1,608	-	83	418
100%	Yes	-	161	1,202	-	(962)	(79)
-	Yes	-	900	8	806	-	86
-	Yes	-	(6,947)	299	-	(4,661)	(2,585)
-	Yes	-	194	169	-	5	19
-	Yes	-	109	18	-	61	31
-	Yes	2,393	7,175	5,756	-	299	3,513
100%	No	-	-	-	-	-	-
-	Yes	-	28,909	21,000	2,376	1,733	3,800
-	No	-	(282)	41	-	(323)	-
100%	No	-	(81)	5	243	(337)	9
-	Yes	-	16	7	-	21	(12)
-	No	-	31	31	-	-	-

A brief description of the significant events arising in the companies during 2014 and 2015 is as follows:

Savand, S.A.U. was a credit institution specializing in providing financial services to private customers in Andorra and was 100% directly owned by Andorra Banc Agrícol Reig, SA. On 27 June 2013 the board of directors of the company agreed unanimously to file a request with the INAF to take the initial steps for the merger by absorption by Banc de Savand SAU. On 23 May 2014 the INAF agreed to give prior authorization to start the merger process. On 31 July 2014 the merger by absorption of Savant SAU (absorbed company) by the Bank (absorbing company) was registered by public deed.

Andbank Luxembourg Limited Hong Kong was created in 2010 and was solely owned by Andbank Luxembourg, S.A. The company was wound up and liquidated on 2 December 2014 according to the Hong Kong Public Register.

LLA Participaçoes Ltda is the holding company of a group of Brazilian portfolio and collective investment undertaking management companies. The Andbank Group acquired 51.63% of the holding company's shares on 25 October 2011. During 2015 the Andbank Group subscribed to the purchase of an additional 26.31% of the capital in this company.

On 21 January 2014 the Bank requested prior authorization from the INAF to acquire up to 100% of the shares of Banco Bracce, SA. which subsequently changed its name to Banco Andbank (Brasil), S.A. On 17 December 2014 the Central Bank of Brazil (Bacen) authorized this acquisition, in conjunction with a series of share capital increases for EUR 33 million between 2015 and 2016 effective as of the last regulatory authorization. The transaction was also authorized by the INAF on 23 December 2014 and took place in January 2015.

In addition, the Bank has incorporated a non-financial company called Andbank (Brasil) Holding Financeira Ltda, which will hold 100% of Banco Andbank Brasil, S.A.'s shares. The Bank holds 99.99% of its shares.

On 18 November 2014 a contract was signed for the sale and purchase of 60% of the Israeli company SIGMA INVESTMENT HOUSE, LTD (hereinafter SIGMA) through the subscription of 100% of newly created shares.

Firstly, authorizations were received from the Israeli supervisors, the Israel Securities Authority and the Commissioner of the Insurance on 11 June 2015 and 30 June 2015, respectively. Subsequently, the Board of Directors of the INAF authorized this transaction at its meeting held on 8 October 2015. On 24 November 2014, the transaction date, the aforementioned sale and purchase transaction was closed, with the final phase of formally registering the transaction in the corresponding Israeli mercantile registry being completed during the first fortnight of February 2016. The transaction is currently being registered in the INAF's files.

SIGMA is the head of four companies carrying out different activities in Israel. It is the 100% shareholder of Sigma Mutual Funds Ltd, Sigma Portfolio Management Ltd and Sigma Premium Ltd and a 70% shareholder of Sigma Financial Planning Pension Agency (2011) Ltd.

On 12 June 2015 the subsidiary AndPrivateWealth Securities, S.A. was incorporated and is wholly owned by the subsidiary Andbank (Panamà), S.A. This company is in the final phase of obtaining the securities company license from the Superintendency of the Securities Market of Panama and the Superintendency of Banks of Panama.

APW Uruguay was acquired on 20 January 2014 and on 16 January 2015 this company obtained a license from the Central Bank of Uruguay to operate as an investments advisor. On 19 June 2014 the Bank obtained all the relevant authorizations, specifically authorization from the INAF on 19 June 2014, to carry out the spin-off and contribution of Banco Inversis, S.A.'s retail banking business to Andbank España, S.A.U., for a total of EUR 179.8 million, together with the share capital increase in Andbank España, SAU and Banca March, S.A.'s transfer of the newly created shares to the Bank once they had been recorded in the mercantile registry.

On 3 December 2014 a public deed for the partial spin-off was recorded in the Madrid Mercantile Registry in relation to the Bank's acquisition of Banco Inversis, S.A.'s retail business. This date is the date on which control was taken for the purpose of the acquisition between the parties and for third parties.

Clau d'Or, SL and Món Immobiliari, SLU are not consolidated, as they are immaterial with respect to the Group's aggregate data.

The definition of the Group is in accordance with the Decree approving the Accounting Plan of 19 January 2000, issued by the Andorran Government.

The consolidation methods used are as follows:

-Proportionate consolidation for Columbus de México, S.A.C.V.

-Equity method for Andorra Assegurances Agrícol Reig, SAU.

The other companies are fully consolidated which basically consists of including in the balance sheet of the Parent all the assets, rights and obligations that comprise the equity of the subsidiaries and, in the income statement, all items of income and expenses which determine the profit and loss of the subsidiaries. All subsidiaries in which the shareholding of the Group is greater than 50% and whose activity is not different to that of the Bank itself are consolidated in this manner and they constitute, with the Bank, one decision-making unit.

Under proportionate consolidation the balance sheet and income statement items of the investee to be consolidated are proportionate to the capital representing the interest, adjusting where necessary to maintain consistency. In all other respects the process is similar to that of full consolidation. Jointly controlled entities whose activities are similar to the Group's are consolidated by this method.

Consolidation by the equity method consists of substituting the carrying amount by which an investment is stated in the balance sheet with an amount relating to the corresponding percentage held by the Parent in the equity of the investee company. The profit and loss of the companies consolidated by the equity method have been incorporated into the consolidated income statement. The subsidiaries which have been consolidated are those where the direct and/or indirect holdings of Andorra Banc Agrícol Reig, S.A., are equal or greater than 20% without exceeding 50% or, if they exceed 50%, where the activity is different from that of the Bank.

All significant balances and transactions between consolidated companies have been eliminated in the consolidation of the financial statements.

Where necessary, adjustments are made to the individual financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

3. Accounting Principles and Valuation Criteria

The accounting principles and valuation criteria applied are as follows:

a) Accruals principle

Income and expenses are recognized on an accruals basis. All income accrued and expenses incurred or accrued are recognized, except for the interest on doubtful and very doubtful loans, which are recognized when they are collected.

In accordance with this principle, income/ expenses accrued and not yet received/paid and expenses/income paid/received in advance are recognized under Prepayments and accrued income and Accrued expenses and deferred income.

b) Recording principle

All of the Group's rights and obligations, including those of a contingent and future nature, are recognized when they arise, either in the accounts or memorandum accounts, where applicable.

Variations or transformations of the value of previous rights and obligations are recognized as soon as they are known.

In accordance with banking practice, transactions are recognized on the date on which they take place, which may differ from the corresponding value date, on the basis of which interest income and expenses are calculated.

c) Valuation of foreign currency transactions

Assets and liabilities denominated in currencies other than the Euro, and spot currency transactions for hedging, have been translated into EUR using the market exchange rates prevailing at the reporting date.

Gains or losses from these translations and the result of operations in foreign currencies conducted during the year are recognised at their net value under results of financial operations in the consolidated income statement.

Forward contracts in foreign currencies are valued according to the exchange rate on the last business day before the reporting date. Exchange gains and losses from forward contracts are fully recognised at their net value in the consolidated income statement.

The other memorandum accounts in foreign currencies are translated into EUR using international market exchange rates, according to the rate on the last business day before the reporting date.

Income and expenses in foreign currencies are translated into EUR at the rates prevailing on the date of the operations.

The assets, liabilities and profit and loss for the year of subsidiaries denominated in currencies other than the Euro have been translated to EUR using the market exchange rates prevailing at the reporting date.

d) Provision for loan losses

The provision for loan losses covers losses that could occur in the recovery of loans and receivables or other credit and counterparty risks. The provision is credited by charges recognized in profit or loss and is debited by the writing off of loans considered as non-recoverable and by the recovery of amounts previously provisioned.

In accordance with the Andorran financial system's Accounting Plan the provision for loan losses is calculated according to the following criteria:

- The specific provision, which covers all types of assets and memorandum account items, is determined based on individualised studies of the quality of the risks contracted with the principal debtors and borrowers on the basis, mainly, of guarantees available and the time expired since the maturity date.

- The general provision is based on 0.5% of the net loans and fixed-income securities with banking institutions and 1% of the net loans to customers and fixed-income securities, except for the part covered by cash pledged by contract or collateralized quoted securities up to the market value of these securities, mortgage-backed loans and loans and credits on income securities issued by the central administrations of Andorra and the OECD countries or expressly guaranteed by these institutions.

- The country risk provision is determined by a global analysis of the above-mentioned risks with the criteria of maximum caution to determine the necessary coverage. For the global risk evaluation, the development of the payment balances, the debt level, the charges to cover the debt, the debt rates in international secondary markets, as well as other indicators and circumstances in the country are considered.

Since 2010, in compliance with INAF Technical Communiqué 198/10, independent experts are commissioned to review the appraisals of the mortgage collateral for the loan portfolio, and additional provisions for loan losses were recognised based on the results of the appraisals (see note 6).

e) Unused credit facilities

Credit facilities extended to customers are recognized in the accompanying consolidated balance sheet at the amount drawn down, and the undrawn amounts are recognized in the memorandum accounts under Commitments and contingent risks - Commitments and operational risks.

f) Securities portfolio

Securities held in the Group's portfolio at 31 December 2015 are classified according to the following criteria:

▪ The trading portfolio includes the securities acquired for short-term sale. The securities assigned to this portfolio are stated at their quoted price as at year-end or, if there is none, at the price calculated by an independent expert. The differences arising from the net valuation variations are recognised net (excluding the accrued interest on fixed-income securities), whether they are positive or negative, under Gains or losses on financial assets and liabilities in the consolidated income statement.

▪ The securities assigned to the held-to-maturity investment portfolio, which includes the securities that the Bank has decided to hold to maturity, are shown at their adjusted acquisition price (the difference between the acquisition price and the redemption value is apportioned periodically). The differences, including accrued interest, are recognised under Interest and similar income in the consolidated income statement.

The results of any sales that may arise are recognised in the consolidated income statement as an extraordinary result. In case of gains, they are accrued on a straight-line basis over the residual life of the security sold under Profit on securities operations.

This portfolio requires no securities valuation reserve for variations between the market value and the adjusted acquisition price. However, irreversible losses are recognised in the income statement.

▪ The permanent investments portfolio includes investments in variable-income securities of subsidiaries and investee Group companies consolidated using the equity method, as well as the minority interests in companies whose activity is complementary to financial activity and which are used to service the Bank's activities on a permanent basis. The latter companies are stated at their acquisition price. If this value is higher than their underlying carrying amount, a provision is made for the difference and is recognised in the consolidated income statement.

▪ The ordinary investment portfolio includes fixed-income or variable-income securities not included in the portfolios mentioned above. The fixed-income securities are stated at their adjusted acquisition price (the difference between the acquisition price and the redemption value is apportioned periodically). Potential net losses due to changes in market price or, if no market price is available, due to changes in the value calculated by an independent expert are provided for in the securities valuation reserve (equal to the total of the positive and negative differences, up to the negative limit) charged to the income statement.

The variable-income securities included in the ordinary investment portfolio are recognised in the consolidated balance sheet at the lower of acquisition cost or market value. The market value is determined according to the following criteria:

- Listed securities: quoted price on the last working day of the year.

- Unlisted securities: underlying carrying amount taken from the latest available consolidated balance sheet.

In order to recognise the corresponding losses, a securities valuation reserve has been created which reduces the assets of the accompanying consolidated balance sheet.

g) Gains on consolidation

Gains on consolidation show gains arising on the acquisition of the shares of companies consolidated using the full consolidation method, the proportionate consolidation method, or the equity method (see note 8.b).

As established in INAF communiqué 227/12 regarding differences on first-time consolidation and communiqué 228/12 regarding goodwill, gains on consolidation and goodwill are not amortized but, following internationally recognized valuation criteria on this matter in the sector, assets are tested for impairment and if any signs of impairment are detected, the corresponding irreversible loss is recognized in the income statement. When the impairment of an investment in a subsidiary shows impairment of the investment in the portfolio, the value of the subsidiary is adjusted in the corresponding individual financial statements. In addition, a non-distributable reserve is constituted for an amount equal to the gain on first-time consolidation and a minimum of 10% of this amount is appropriated annually to the reserve through the distribution of profit for the year (see note 11.b).

Details of the acquisitions by companies that will generate goodwill on consolidation from 2008 to 2015 are provided in note 8.b.

h) Tangible and intangible assets

Fixed assets are normally stated at their acquisition value, less the accumulated straight-line amortization and depreciation at rates adequate to carry fixed assets at their residual value at the end of their useful lives.

Amortization and depreciation rates used are:

	Annual percentage
Buildings for own use	3%
Installations and machinery	10%
Office furniture and machinery	20%
IT equipment	20-33%
Computer software	20%
Vehicles	20%

The cost of the multi-owned assets classified as intangible assets is amortized on a straight-line basis over a period equal to the residual life of the respective contract.

Where fixed assets, due to their use or obsolescence are irreversibly depreciated, the loss or decrease in value of the corresponding asset is recognized directly.

The depreciation of capitalized work and installations in relation to leased assets is related to their estimated useful life or until the lease agreement terminates.

As indicated in note 8, buildings used in operations acquired or built prior to 30 November 2008 were revalued on that date and a revaluation reserve was created at that time for the difference between the estimated market value and the acquisition cost, net of accumulated depreciation, keeping this amount in the items remaining on the balance sheet.

When an asset of this type is retired, any corresponding amounts recognized in the revaluation reserve may be transferred directly to voluntary reserves. During 2015 these revaluation reserves were transferred, net of tax effect, for an amount of EUR 53.3 million, as the result of property sale transactions (note 8).

i) Non-operating tangible assets

Non-operating tangible assets are those not directly related to banking activity and foreclosed assets.

These include land, buildings, installations and furniture; which are recognized at their acquisition cost and depreciated over their estimated useful lives using the same percentages applied to operating fixed assets.

Foreclosed assets include land and buildings valued at the lower of their foreclosure cost or market value, after deducting provisions determined by the schedule laid down by prevailing legislation.

j) Leases

1. Classification of leases
Under an operating lease, ownership of the leased asset and substantially all the risks and rewards incidental to ownership remain with the lessor.

Finance leases are considered to be those in which all the risks and rewards incidental to the leased asset are substantially transferred to the lessee.

2. Lessee accounting
The Bank occupies premises which it does not own under operating lease contracts as a lessee.

Operating lease installments are recognized as an expense on a straight-line basis over the lease term.

3. Sale and leaseback transactions
If the leaseback transaction is classified as an operating lease:

▪ If the transaction is established at fair value, any profit or loss is immediately recognized on the sale and recorded on the income statement. The sale and leaseback transaction described in note 8 has been carried out in accordance with what is stated in this paragraph, i.e. at fair value.

▪ If the sale price is below fair value, any profit or loss is recognized immediately. However, in those cases where the loss is compensated for by future lease payments at below market value, it is deferred in proportion to the lease payments over the period for which the asset is used.

▪ If the sale price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is used.

Any potential profits generated on asset sale transactions associated with leaseback transactions which meet the conditions of a finance lease are deferred over the lease term.

k) Financial derivatives
The Bank has used these instruments in a limited way, both in hedging of its equity positions and in other operations.

Futures contracts are included as memorandum accounts as specified by the INAF regulations and are associated with currency and interest rate, market or credit risk, and specifically:

- Outstanding currency purchases and sales and swaps in foreign currency are recognized as spot or forward transactions depending on whether they mature in less or more than two business days. These swaps are recognized at the nominal amount of each of the cash flow exchange agreements implicit in the swap operations contracted by the Bank with its usual counterparties (see note 14).

- Forward rate agreements (FRAs), interest rate swaps, and other futures contracts outside organized markets are recognized at the principal amount of the operation.

Transactions which are aimed at eliminating or significantly reducing currency, interest rate or market risks associated with equity positions or other transactions are considered as hedges. Gains or losses on hedging transactions are recognized in the income statement symmetrically to income or expenses relating to the hedged item.

Non-hedging operations, also called trading transactions, and which have been undertaken in organized markets are valued in accordance with their quotations. Gains or losses arising from the changes in quotations are recognized in the consolidated income statement on the basis of their daily settlement.

Profit or loss on trading transactions contracted outside these markets is not recognized in the income statement until it has been effectively settled. However, the positions are valued and provisions made against the results for potential net loss for each kind of risk that may arise from these valuations. The type of risks considered for such purposes include interest rates (by currency), market price (by issuer) and currency (by currency).

l) General risks reserve
The general risks reserve includes amounts estimated by the Group to cover general risks and the risks inherent to banking and financial activities not covered by other provisions.

Charges to the reserve are reflected under charges to the general risks reserve in the consolidated income statement and the recoveries under extraordinary profit and loss.

m) Prepayment/accrual of interest
The Group uses the interest method (i.e. internal rate of return or resulting cost) to calculate the prepayment or accrual of interest, with maturities of more than 12 months.

For operations under 12 months, the Group can choose between this method and the straight-line accrual method.

n) Provisions for risks and contingencies
▪ Provisions for pensions and similar obligations

The Bank has recognized different commitments in relation to personnel: retired employees, early retirees, and an internal defined contribution pension fund for current Bank employees.

The personnel from what was previously called Banc Agrícol i Comercial d'Andorra, S.A., who retired before 22 December 1995 have a defined benefit retirement pension plan created in 1989. Employees who joined the Bank after 1 May 1995, except for certain groups belonging to a defined contribution scheme, do not belong to the retirement pension plan.

In prior years the Bank signed individual early-retirement agreements with certain employees (in accordance with Law 17/2008 and related regulations).

The actuarial variables and other assumptions used in the valuation at 31 December 2015 and 2014 for retired personnel and early retirees are as follows:

	Retirees	Early retirees
Mortality tables	GRMF-95	GRMF-95
Nominal discount rate	3.5%	3.5%
Nominal rate of salary growth	-	1.6%
Annual rate of pension growth	1.6%	-
Retirement age	-	65

The charge to the internal pension fund for current personnel in 2015 was 1.5% higher than contributions in 2014, and the interest rate for pension funds held on the balance sheet was set at 1.5% in 2015 (see note 9).

Current personnel belonging to the defined contribution pension scheme can, upon request, transfer their pension funds to an investment fund managed by the Bank off the balance sheet (see note 9). As at 31 December 2015 pension funds managed off the balance sheet amounted to EUR 943 thousand (EUR 1,035 thousand in 2014), whilst internal funds classified as Provisions for risks and contingencies amount to EUR 6,258 thousand (EUR 6,002 thousand in 2014).

Under the agreements signed by retired personnel, the Bank has to make supplementary remuneration payments. At 31 December 2015, a fund of EUR 594 thousand was set up for these obligations (EUR 620 thousand in 2014). Furthermore, there is an internal fund of EUR 565 thousand at 31 December 2015 (EUR 222 thousand in 2014) for early retirees, which coincides with the obligations accrued at that date.

▪ Other provisions

This balance sheet item includes the amount recognized for the valuation of all the trading derivatives entered into on unregulated markets in which the Bank is a counterparty (see note 3.k).

o) Income tax

On 1 December 2011 the General Council of the Principality of Andorra approved Law 17/2011 of 1 December 2011 amending Law 95/2010 of 29 December 2010 on income tax (published in edition 80 of the Official Gazette of the Principality of Andorra (BOPA), dated 28 December 2011). This Law came into force the day after it was published in the BOPA and applies to taxation periods starting after 1 January 2012. The Bank pays tax at a rate of 10%.

On 13 June 2012 the Andorran Government approved legislation regulating Law 95/2010 of 29 December 2010 on income tax and Law 96/2010 of 29 December 2010 on taxation of economic activities, which sets out the formal obligations of the parties required to pay these taxes as well as the system for managing, settling and monitoring the aforementioned taxes.

Payment on account is calculated by applying 50% to the net tax payable for the prior year.

Taxable income is determined using the direct determination method and is calculated by adjusting the accounting profit, in accordance with the Accounting Plan for the Financial Sector, applying the principles and criteria of classification, valuation and temporary recognition set out in the requirements of the Income tax law, which cause off-balance sheet adjustments. Income tax expense represents the sum of the income tax expense for the year and the effect of the changes in deferred tax assets and liabilities and tax credits.

Both positive and negative off-balance sheet tax adjustments can be permanent or temporary according to whether or not they are reversed in subsequent tax periods. The income tax expense for each year is calculated based on profit before tax, adjusted for permanent differences with fiscal criteria and less any applicable tax credits and deductions. The tax effects of temporary differences, unused credits for tax losses and rights to deductions and credits pending application are included, where applicable, in the corresponding balance sheet captions, classified on the basis of the term according to the forecast review or realization period.

Deferred tax assets and liabilities include temporary differences identified as those amounts which are payable or recoverable for differences between the carrying amounts of assets and liabilities and their tax value, as well as tax loss carryforwards and credits for tax deductions not applicable for tax purposes. These amounts are recognized by applying the temporary difference or credit at the tax rates at which they are expected to be recovered or settled.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets identified with temporary differences, unused tax losses and unused tax credits are only recognized to the extent that it is considered probable that the Company has future taxable profit against which they can be utilized.

At each reporting date, recognized deferred tax assets and liabilities are reviewed for the purpose of verifying that they remain effective and the appropriate corrections are made on the basis of the results of the analysis carried out.

The aforementioned expense is recognized under Income tax in the accompanying income statement at the amount accrued during the year and in the balance sheet under Other liabilities at the amount payable and under Other assets at the amount of the withholdings and payments on account.

p) Indirect tax on goods delivered, services rendered and imports

At its session held on 21 June 2012 the General Council of the Principality of Andorra approved the law governing indirect general tax (IGI), which entered into force on 1 January 2013. This tax is levied on goods delivered, service rendered and imports made by onerous contract in Andorra by business people or professionals usually or occasionally as part of their economic activity, irrespective of the purpose or the results achieved in the economic activity or in each particular transaction, including the condition of importer.

The general tax rate is 4.5%, with a reduced rate of 1% and an increased rate of 9.5%, which is only applied to banking and financial services rendered.

The fifth additional provision to Law 11/2012 governing Indirect General Tax approved by Law 10/2014 of 3 June 2014 amending Law 11/2012, stipulates a special tax regime for the financial sector to which banks and non-banking specialized credit institutions carrying out activities subject to the increased tax rate stipulated in article 60 of the Law must adhere. This special regime entered into force on 1 July 2014. This regime restricts the deduction of input tax to a maximum amount equivalent to 10% of the output tax at a rate of 9.5% for the rendering of bank and financial services.

The settlement period depends on the annual net turnover for all of the activities carried out by the taxpayer in the immediately previous year. Payments can be made half-yearly, quarterly or monthly. Taxpayers have to determine the tax debt in each settlement period, reducing the general indirect tax payable during the period by the general indirect tax installments receivable, which are deductible in nature. The entry into force of Law 11/2012 of 21 June 2012 governing Indirect General Tax and subsequent amendments repeals the Law governing indirect taxation on the rendering of banking and financial services of 14 May 2002.

q) Non-resident income tax

In accordance with Law 94/2010 of 29 December 2010 on non-resident income tax (hereinafter Law 94/2010) which taxes the income obtained in Andorra by individuals and entities considered by law as non-resident for tax purposes, the Andbank Group companies resident for tax purposes in Andorra are subject to withholding and has applied withholding of 10% on non-resident suppliers of services since 1 April 2011, the enactment date of this law. On 1 December 2011 the General Council of the Principality of Andorra approved Law 18/2011 of 1 December 2011 amending Law 94/2010 which will be applicable as of 1 January 2012.

The Bank recognizes transitory balances corresponding to personal income tax collected from non-residents under Other liabilities/Taxes/Tax collection accounts, provided that payment has not been definitively made to the corresponding authority.

r) Law 5/2014 of 24 April 2014 on personal income tax

On 24 April 2014 the General Council of the Principality of Andorra approved Law 5/2014 on personal income tax which entered into force on 1 January 2015. This law constitutes a basic pillar of the Principality of Andorra's economic opening process, to the extent that it involves the creation of personal income tax which is compatible with that existing in neighboring countries, the European Union and the OECD.

This tax is levied, inter alia, on the savings of individual taxpayers, specifically interest and similar income (investment yield), as well as capital gains or losses at a tax rate of 10%.

The Bank recognizes transitory balances corresponding to personal income tax collected under Other liabilities/Taxes/Tax collection accounts, provided that payment has not been definitively made to the corresponding authority.

s) Memorandum accounts

Own and third party shares and securities under custody are always measured, where possible, at market price. Where no market prices are available, the Bank applies the following hierarchy to determine the market value of shares and securities:

- Price given by the issuer of the security;

- Generally accepted measurement techniques. The most frequently used measurement methodologies are discounted cash flow models such as Black Scholes, Cos Ross Rubinstein, Monte Carlo Simulation, Hull & White, Libor Market Model or variations on these models. Observable market data is used to measure the different shares and securities or, in the absence of observable data, estimates are applied based on the information provided by over the counter (OTC) markets, or according to internal interpolation methods based on observable data in organized markets.

- When none of the above mentioned methods can be used, shares and securities are measured at cost.

4.Residual Maturity of Assets and Liabilities

The breakdown by maturities of gross loans and receivables, balances with the INAF and in banks and credit institutions and gross financial intermediaries at 31 December 2015 and 2014 is as follows:

Thousands of EUR

2015	Past due	Less than one month	From one to three months	From three months to one year	From one year to five years	More than five years	No maturity	Total
INAF	-	-	-	-	-	-	210	210
Banks and credit institutions and other financial intermediaries	-	150,002	-	-	1,053	-	879,273	1,030,328
Loans and advances to customers	77,838	38,222	88,989	385,661	434,700	731,221	7,896	1,764,527
Customer account overdrafts	52,145	-	-	-	-	-	33,865	86,010
Customer discounted notes	312	527	244	3,710	72	308	4,139	9,312

Thousands of EUR

2014	Past due	Less than one month	From one to three months	From three months to one year	From one year to five years	More than five years	No maturity	Total
INAF	-	-	-	-	-	-	210	210
Banks and credit institutions and other financial intermediaries	-	-	-	80	-	-	1,269,869	1,269,949
Loans and advances to customers	53,375	48,896	101,267	388,187	462,243	751,130	-	1,805,098
Customer account overdrafts	57,646	-	-	-	-	-	31,227	88,873
Customer discounted notes	65	1,357	685	601	2,684	126	-	5,518

The breakdown by residual maturities of bonds and other fixed-income securities in the accompanying consolidated balance sheet at 31 December 2015 and 2014 is as follows:

Thousands of EUR

2015	Past due	Up to one month	From one to three months	From three months to one year	From one year to five years	More than five years	No maturity	Total
Bonds and other fixed-income securities	-	189,316	360,084	208,972	304,552	535,805	-	1,598,729

Thousands of EUR

2014	Past due	Up to one month	From one to three months	From three months to one year	From one year to five years	More than five years	No maturity	Total
Bonds and other fixed-income securities	5,038	27,452	112,581	107,551	464,665	401,639	-	1,118,926

The maturities of the INAF deposits and balances payable at 31 December 2015 and 2014 are as follows:

Thousands of EUR

2015

	Past due	Up to one month	From one to three months	From three months to one year	From one year to five years	More than five years	No maturity	Total
INAF	-	-	-	-	-	-	13,115	13,115
Banks and credit institutions and other financial intermediaries	-	-	37,117	-	68,118	223,248	152,714	481,197
Customer deposits	-	673,929	136,551	411,674	127,574	7,298	2,277,427	3,634,453
Debt securities	-	6,367	2,383	15,941	139,439	9,545	-	173,675
Subordinated liabilities	-	-	-	-	-	-	50,000	50,000

Thousands of EUR

2014

	Past due	Up to one month	From one to three months	From three months to one year	From one year to five years	More than five years	No maturity	Total
INAF	-	-	-	3,227	-	-	985	4,212
Banks and credit institutions and other financial intermediaries	-	-	-	-	100	-	426,395	426,495
Customer deposits	269,630	329,712	521,950	336,879	16,905	15,705	2,184,794	3,675,575
Debt securities	-	-	-	-	29,167	36,342	-	65,509

Details by currency of gross loans and receivables, balances with the INAF and banks and credit institutions and the gross securities portfolios at 31 December 2015 and 2014 are as follows:

Thousands of EUR

2015			
	EUR	Other currencies	Total
INAF	210	-	210
Banks and credit institutions and other financial intermediaries	648,676	381,652	1,030,328
Loans and advances	1,544,857	219,670	1,764,527
Customer account overdrafts	66,267	19,743	86,010
Customer discounted notes	6,084	3,228	9,312
Securities portfolio	1,217,555	433,369	1,650,924

Thousands of EUR

2014			
	EUR	Other currencies	Total
INAF	210	-	210
Banks and credit institutions and other financial intermediaries	727,642	542,307	1,269,949
Loans and advances	1,585,486	219,612	1,805,098
Customer account overdrafts	66,227	22,646	88,873
Customer discounted notes	5,514	4	5,518
Securities portfolio	734,053	445,684	1,179,737

Details by currency of the INAF deposits and balances payable in the accompanying consolidated balance sheets at 31 December 2015 and 2014 are as follows:

Thousands of EUR

2015			
	EUR	Other currencies	Total
INAF	8,350	4,765	13,115
Banks and credit institutions and other financial intermediaries	307,819	173,378	481,197
Customer deposits	2,875,238	759,215	3,634,453
Debt securities	127,914	45,761	173,675
Subordinated liabilities	50,000	-	50,000

Thousands of EUR

2014			
	EUR	Other currencies	Total
INAF	4,209	3	4,212
Banks and credit institutions and other financial intermediaries	297,431	129,064	426,495
Customer deposits	2,498,104	1,177,471	3,675,575
Debt securities	57,286	8,223	65,509

Details by residual maturity dates of debt securities, which include the issue of fixed-income securities by Andorra Capital Agrícol Reig, BV at 31 December 2015 and 2014 are as follows:

Thousands of EUR

2015								
	Past due	Up to one month	From one to three months	From three months to one year	From one to five years	More than five years	No maturity	Total
Debt securities issued in 2013	-	-	-	5,428	26,793	9,544	-	41,765
Debt securities issued in 2014	-	-	-	-	8,506	-	-	8,506
Debt securities issued in 2015	-	6,367	2,383	10,513	104,141	-	-	123,404

Thousands of EUR

2014								
	Past due	Up to one month	From one to three months	From three months to one year	From one to five years	More than five years	No maturity	Total
Debt securities issued in 2013	-	-	-	-	14,800	30,762	-	45,562
Debt securities issued in 2014	-	-	-	2,130	14,817	3,000	-	19,947

5. Financial Intermediaries on Sight and Banks and Credit Institutions

Details of this caption at 31 December 2015 and 2014 are as follows:

Thousands of EUR

	2015	2014
Current accounts		
Banks and credit institutions	859,037	1,048,923
Other financial intermediaries	111	1
	859,148	**1,048,924**
Time deposits		
Banks and credit institutions	171,180	221,025
Other financial intermediaries	-	-
	171,180	**221,025**
Less provision for loan losses	(127)	(1,020)
	1,030,201	**1,268,929**

Movement in the provision for loan losses during 2015 and 2014 is as follows:

Thousands of EUR

	Specific risks	General risks	Total
Balance at 31 December 2013	**-**	**1,527**	**1,527**
Charges	-	-	-
Applications	-	-	-
Recoveries	-	(507)	(507)
Balance at 31 December 2014	**-**	**1,020**	**1,020**
Charges	-	-	-
Applications	-	-	-
Recoveries	-	(893)	(893)
Balance at 31 December 2015	**-**	**127**	**127**

At 31 December 2015 and 2014 no outstanding or doubtful balances with financial intermediaries on sight or banks and credit institutions exist.

6. Loans and Receivables

Details of this caption of the accompanying consolidated balance sheet at 31 December 2015 and 2014, by credit status and guarantee type, are as follows:

Thousands of EUR

2015				
Credit status	**Standard**	**Past due**	**Doubtful**	**Total**
Loans and advances to customers	1,747,170	7,805	9,552	1,764,527
Customer account overdrafts	32,414	976	52,620	86,010
Customer discounted notes	9,312	-	-	9,312

Thousands of EUR

2014				
Credit status	**Standard**	**Past due**	**Doubtful**	**Total**
Loans and advances to customers	1,793,682	2,351	9,065	1,805,098
Customer account overdrafts	28,462	1,641	58,770	88,873
Customer discounted notes	5,518	-	-	5,518

Thousands of EUR

2015					
Type of guarantee	**Mortgage**	**Monetary**	**Securities**	**Personal guarantee and others**	**Total**
Loans and advances to customers	738,196	208,135	507,941	310,255	1,764,527
Customer account overdrafts	32,369	-	17,393	36,248	86,010
Customer discounted notes	-	-	-	9,312	9,312

Thousands of EUR

2014					
Type of guarantee	**Mortgage**	**Monetary**	**Securities**	**Personal guarantee and others**	**Total**
Loans and advances to customers	762,784	230,092	482,638	329,584	1,805,098
Customer account overdrafts	38,189	-	18,270	32,414	88,873
Customer discounted notes	-	-	-	5,518	5,518

Customer account overdrafts at 31 December 2015 include loans for which legal action has been initiated, for an amount of EUR 52,145 thousand (EUR 57,760 thousand in 2014), EUR 32,369 thousand of which are secured by collateral (EUR 38,189 thousand in 2014).

Movement in the provision for loan losses during 2015 and 2014 is as follows:

Thousands of EUR

	Specific risks	**General risks**	**Total**
Balance at 31 December 2013	**36,360**	**3,814**	**40,174**
Charges	9,214	-	9,214
Recoveries	-	(32)	(32)
Applications	(8,189)	-	(8,189)
Other	1,769	2,753	4,522
Balance at 31 December 2014	**39,154**	**6,535**	**45,689**
Charges	8,520	72	8,592
Recoveries	-	(389)	(389)
Applications	(10,991)	-	(10,991)
Other	-	-	-
Balance at 31 December 2015	**36,683**	**6,218**	**42,901**

The charge for 2015 includes the effect of the review of the mortgage guarantees mentioned in note 3.d, by the amount of EUR 1,019 thousand (EUR 1,362 thousand in 2014).
Details of loans from public sector entities at 31 December 2015 and 2014, which represent loans and credits, are as follows:

Thousands of EUR

	2015	2014
Central government	64,279	54,836
Local government	23,711	26,553
	87,990	**81,389**

7. Securities Portfolio

a) Bonds and other fixed-income securities

Details of this caption at 2015 and 2014 are as follows:

Thousands of EUR

	2015	2014
Principality of Andorra's public debt (see notes 21 and 22)	71,138	73,132
OECD countries' public debt	1,186,795	698,822
Other bonds and marketable fixed-income securities	340,796	346,972
	1,598,729	**1,118,926**

Principality of Andorra's public debt includes EUR 63,744 thousand from the Government's issue falling due on 31 December 2015 and renewed in the first quarter of 2016.

b) Investments in Group companies

Details of investments in Group companies at 31 December 2015 and 2014 are as follows:

Thousands of EUR

2015

	Registered offices	% Direct ownership	Share capital	Profit/(loss) for the year	Dividend for the year	Total equity	Net asset value
Clau d'Or, S.L. (Real estate)	Andorra	100%	30	(6)	-	(61)	30
Mon Immobiliari, SLU (Real estate) (*)	Andorra	100%	30	(2)	-	13	8
Investments in Group companies accounted for using the equity method (see note 2)			-	-	-	-	3,282
Other investments			-	-	-	-	171
							3,491

* Data from the financial statements for 2014

Thousands of EUR

2014							
	Registered offices	% Direct ownership	Share capital	Profit/(loss) for the year	Dividend for the year	Total equity	Net asset value
Clau d'Or, S.L. (Real estate)	Andorra	100%	30	(24)	-	8	30
Mon Immobiliari, SLU (Real estate) (*)	Andorra	100%	30	(4)	-	15	8
Investments in Group companies accounted for using the equity method (see note 2)			-	-	-	-	4,303
Other investments			-	-	-	-	50
							4,391

* Data from the financial statements for 2013

Details of investments in Group companies accounted for using the equity method at 31 December 2015 and 2014 are as follows:

Thousands of EUR

2015					
	% ownership	Share capital	Net asset value	Total equity	Dividends in 2015
Andorra Assegurances Agrícol Reig, SA (insurance company)	100%	2,404	3,282	3,282	400

Thousands of EUR

2014					
	% ownership	Share capital	Net asset value	Total equity	Dividends in 2015
Andorra Assegurances Agrícol Reig, SA (insurance company)	100%	2,404	3,304	3,304	500

c) Other investments
Other investments include investments in other companies where the Group does not hold a majority of the shares or have decision-making power.

Other investments at 31 December 2015 and 2014 are as follows:

Thousands of EUR

2015								
Company name and activity	Registered office	Direct investment	Subscribed capital	Total equity	Profit for the year	Dividends for the year	Cost	Securities valuation reserve
Serveis i mitjans de pagament XXI, S.A.	Andorra	20%	60	213	91	-	12	3
Túnel d'Envalira, S.A. (infrastructure)	Andorra	10%	8,400	13,885	420	-	840	55
S.E.M.T.E.E. (leisure and health) (*)	Andorra	15%	29,403	43,998	(1,911)	-	3,929	0
							4,781	**(58)**

* Data from the financial statements for 2014

Thousands of EUR

2014								
Company name and activity	Registered office	Direct investment	Subscribed capital	Total equity	Profit for the year	Dividends for the year	Cost	Securities valuation reserve
Serveis i mitjans de pagament XXI, S.A. (*)	Andorra	20%	60	183	(53)	-	12	3
Túnel d'Envalira, S.A. (infraestructure)	Andorra	10%	8,400	13,939	359	-	840	55
S.E.M.T.E.E. (leisure and health) (*)	Andorra	12%	29,403	44,103	(1,806)	-	3,929	-
							4,797	**(58)**

* Data from the financial statements for 2013

d) Shares and other variable-income securities
Shares and other variable-income securities include all listed or unlisted shares and securities in the Bank's held for trading portfolio, which represents shareholdings in the capital of other companies with which there is no long-term relationship and where the purpose of such shareholdings is not to contribute to the Bank's activity.

e) Investment funds

Details of gross investment funds by management entity at 31 December 2015 and 2014 are as follows:

Thousands of EUR

	2015	2014
Managed by:		
Entities related to the Group	30,046	40,012
Entities not related to the Group	5,663	5,405
	35,709	**45,417**

At 31 December 2015, the investment funds managed by the Group include the following investment funds: Alternative Investment Conservative-A, Alternative Investment Growth-A, Alternative Investment Private Equity-A, Andbank Balanced (P) EUR, Andbank Flexible Allocation (P) EUR, Halley Sicav-H Eur. Eq. a Cap, Halley Momentum Flex. Al. Low Eur (I) and Halley Momentum Flex. Al. High Eur (I).

f) Portfolio valuation

The securities as at 31 December 2015 and 2014 classified by valuation categories described in note 3(f), are as follows:

Thousands of EUR

	2015	2014
Trading portfolio	641,370	412,624
Fixed-income	609,779	371,676
Variable-income	587	377
Investment funds	31,004	40,571
Ordinary investment portfolio	236,242	213,231
Fixed-income	225,171	202,557
Investment funds	4,706	4,845
Variable-income	6,365	5,829
Held-to-maturity portfolio	763,778	544,693
Permanent investment portfolio	8,272	9,189
Own shares	1,262	-
Permanent investment portfolio	**1,650,924**	**1,179,737**

The market value or fair value of the held-to-maturity and ordinary investment portfolios at 31 December 2015 is EUR 736,888 thousand and EUR 233,200 thousand, respectively (EUR 561,639 thousand and EUR 266,443 thousand at 31 December 2014). Of the total market value of the held-to-maturity portfolio, at 31 December 2015 EUR 134,279 thousand correspond to marked-to-model and unlisted instruments (see note 3.f). Of the total fair value of the ordinary investment portfolio, EUR 5,845 thousand correspond to marked-to-model or unlisted instruments.

At 31 December 2015 9.39% of the market value of the trading portfolio has been calculated based on models developed by an independent expert and the rest using quoted prices (3.31% at 31 December 2014).

g) Securities valuation reserve

Movement in the securities valuation reserve during 2015 and 2014 is as follows:

Thousands of EUR	
Balance at 31 December 2013	**19,318**
Charges to the ordinary portfolio	-
Charges to the permanent investments portfolio	37
Recoveries	(11,714)
Balance at 31 December 2014	**7,641**
Charges to the ordinary portfolio	
Charges to the permanent investments portfolio	5
Applications	(5,247)
Balance at 31 December 2015	**2,399**

h) Provisions for loan losses

Thousands of EUR	
Balance at 31 December 2013	**3,904**
Net charges to provision	(1,323)
Balance at 31 December 2014	**2,581**
Net charges to provision	(312)
Balance at 31 December 2015	**2,269**

As of 31 December 2015 and 2014 the provision for loan losses relates solely to the general provision on the investment portfolio.

8. Fixed Assets

a) Movement in tangible assets, intangible assets and amortizable costs

Movement in intangible assets and amortizable costs during 2015 and 2014 and related amortization is as follows:

Thousands of EUR

	31/12/2014	Additions	Disposals	Transfers	31/12/2015
Cost:					
Multi-owned assets	558	272	-	-	830
Computer software	52,024	5,997	(3,209)	10,432	65,244
Other	64,842	15,138	(316)	(10,432)	69,232
Total	**117,424**	**21,407**	**(3,525)**	**-**	**135,306**
Amortization:					
Multi-owned assets	(835)	(11)	-	-	(846)
Computer software	(30,146)	(10,234)	713	-	(39,667)
Other	(10,333)	(1,012)	1,667	-	(9,678)
Total AMORTIZATION:	**(41,314)**	**(11,257)**	**2,380**	**-**	**(50,191)**
Total NET	**76,110**	**10,150**	**(1,145)**	**-**	**85,115**

Thousands of EUR

	31/12/2013	Additions	Disposals	Transfers	31/12/2014
Cost:					
Multi-owned assets	557	21	(20)	-	558
Computer software	41,211	7,320	(769)	4,262	52,024
Other	13,415	56,318	(629)	(4,262)	64,842
Total	**55,183**	**63,659**	**(1,418)**	**-**	**117,424**
Amortization:					
Multi-owned assets	(140)	(245)	-	-	(385)
Computer software	(28,635)	(444)	(1,067)	-	(30,146)
Other	(7,235)	(3,430)	(118)	-	(10,783)
Total AMORTIZATION:	**(36,010)**	**(4,119)**	**(1,185)**	**-**	**(41,314)**
Total NET	**19,173**	**59,540**	**(2,603)**	**-**	**76,110**

Additions to intangible assets during 2014 mainly reflect the inclusion of the valuation of the customer portfolio coming from Banco Inversis, S.A.'s retail banking business, amounting to EUR 42,798 thousand.

Details of the consideration given, of the fair value of net assets acquired and goodwill generated in relation to the Bank's acquisition of Banco Inversis, S.A.'s retail business (see note 2.d) were as follows:

Thousands of EUR	
Consideration given Cash paid	179,800
Attributable fair value of net assets acquired	89,959
Goodwill (note 8b)	**89,841**

In order to identify the transferred assets and liabilities the reference balance sheet used has been that for the Joint Project for the Partial Spin-off of Banco Inversis, S.A. to Andbank España, S.A.U. This balance sheet was dated 31 October 2013.

The effective incorporation of all the assets and liabilities and human resources, as well as rights and obligations forming part of, as an economic unit, the retail banking activity of the spun off company, to Andbank España,. S.A.U., took place on 28 November 2014.

Movement in tangible assets during 2015 and 2014 and their depreciation is as follows:

Thousands of EUR

	31/12/2014	Additions	Disposals	Transfers	Revaluations	31/12/2015
Cost						
OPERATING						
Land	45,359	-	(41,856)	-	-	3,503
Buildings	43,798	-	(36,623)	-	-	7,175
Furniture	7,108	1,393	(98)	217	-	8,620
Installations	39,346	2,060	(20,317)	1,764	-	22,853
IT equipment	27,511	1,956	(163)	148	-	29,452
Vehicles	1,932	255	(961)	(62)	-	1,164
Fixed assets under construction	1,071	2,498	-	(2,129)	-	1,440
Subtotal	166,125	8,162	(100,018)	(62)	-	74,207
NON-OPERATING						
Buildings	83,940	13,135	(17,205)	-	-	79,870
Land	10,641	2,129	(6,100)	-	-	6,670
Installations	4,304	-	(3,415)	-	-	889
IT equipment	92	-	-	-	-	92
Furniture	41	-	-	-	-	41
Vehicles	305	-	(105)	62	-	262
Subtotal	99,323	15,264	(26,825)	62	-	87,824
Total TANGIBLE ASSETS	**265,448**	**23,426**	**(126,843)**	**-**	**-**	**162,031**
Depreciation						
OPERATING						
Buildings	(25,737)	(1,264)	14,923	2,672	-	(9,406)
Furniture	(6,871)	(351)	-	-	-	(7,222)
Installations	(26,806)	(1,527)	14,113	-	-	(14,220)
IT equipment	(22,708)	(870)	1	-	-	(23,577)
Vehicles	(532)	(197)	36	-	-	(693)
Subtotal	(82,654)	(4,209)	29,073	2,672	-	(55,118)
Depreciation						
NON-OPERATING						
Buildings	(9,602)	(3,892)	5,443	-	-	(8,051)
Installations	(4,272)	(9)	3,394	-	-	(887)
IT equipment	(92)	-	-	-	-	(92)
Furniture	(32)	(62)	-	-	-	(94)
Vehicles	(12)	-	-	-	-	(12)
Subtotal	(14,010)	(3,963)	8,837	-	-	(9,136)
Total DEPRECIATION	**(96,664)**	**(8,172)**	**37,910**	**2,672**	**-**	**(64,254)**
Provision for impairment						
TANGIBLE assets	(2,153)	(582)	928	(2,672)	-	(4,479)
Total TANGIBLE ASSETS NET	**166,631**	**14,672**	**(88,005)**	**-**	**-**	**93,298**

Thousands of EUR

	31/12/2013	Additions	Disposals	Transfers	Revaluations	31/12/2014
Cost						
OPERATING						
Land	47,714	-	-	(2,355)	-	45,359
Buildings	44,533	-	-	(734)	-	43,798
Furniture	5,907	878	-	323	-	7,108
Installations	31,348	2,825	-	5,173	-	39,346
IT equipment	25,718	1,793	-	-	-	27,511
Vehicles	1,532	645	-	(245)	-	1,932
Fixed assets under construction	2,967	1,493	-	(3,389)	-	1,071
Subtotal	159,719	7,634	-	(1,227)	-	166,125
NON-OPERATING						
Buildings	61,085	30,139	(7,285)	-	-	83,940
Land	10,641	-	-	-	-	10,641
Installations	4,304	-	-	-	-	4,304
IT equipment	92	-	-	-	-	92
Furniture	35	6	-	-	-	41
Vehicles	1	304	-	-	-	305
Subtotal	76,158	30,449	(7,285)	-	-	99,323
Total TANGIBLE ASSETS	**235,877**	**38,082**	**(7,285)**	**(1,227)**	**-**	**265,448**
Depreciation						
OPERATING						
Buildings	(16,757)	(1,785)	-	(7,194)	-	(25,737)
Furniture	(5,283)	(292)	-	(1,297)	-	(6,871)
Installations	(23,291)	(1,969)	-	(1,546)	-	(26,806)
IT equipment	(22,010)	(698)	-	-	-	(22,708)
Vehicles	(632)	(146)	-	245	-	(532)
Subtotal	(67,973)	(4,889)	-	(9,791)	-	(82,654)
Depreciation						
NON-OPERATING						
Buildings	(7,524)	(2,254)	-	176	-	(9,602)
Installations	(4,257)	(14)	-	-	-	(4,272)
IT equipment	(92)	-	-	-	-	(92)
Furniture	(32)	-	-	-	-	(32)
Vehicles	-	(12)	-	-	-	(12)
Subtotal	(11,905)	(2,281)	-	176	-	(14,010)
Total DEPRECIATION	**(79,878)**	**(7,170)**	**-**	**(9,616)**	**-**	**(96,664)**
Provision for impairment						
TANGIBLE assets	(8,656)	(4,214)	611	10,843	(737)	(2,153)
Total TANGIBLE ASSETS NET	**147,343**	**26,698**	**(6,673)**	**-**	**(737)**	**166,631**

Additions of operating fixed assets under construction in 2015 and 2014 comprise work in progress to improve fixed assets used in operations.

Additions during 2015 and 2014 of fixed assets not earmarked for operations correspond to the inclusion of foreclosed assets during the same years, for which no interest or exchange differences have been capitalized.

With express authorization granted by INAF on 9 December 2008, the Bank revalued the carrying amount of the buildings housing its headquarters and branches with effective date 30 November 2008 (see notes 3.h and 11). Every two years, through an appraisal conducted by an independent expert, the aforementioned assets are tested to determine whether their market value is greater than their carrying amount, the appropriate provisions being recognized where this is not the case. At 31 December 2014 the Bank revalued the carrying amount of buildings used in operations, recognizing an impairment provision of EUR 737 thousand against revaluation reserves (see note 11.d).

On 29 July 2015, Andorra Banc Agrícol Reig, S.A. ("Andbank") signed a sale and purchase agreement and subsequent operating leaseback for a period of 20 years, extendible tacitly for five-year periods, for the building in which the Andbank Group's headquarters are located. On 24 September 2015 a deed was drawn up declaring compliance with the conditions precedent on this transaction. The transaction price was EUR 80 million and Andbank obtained a gain of EUR 3.4 million on the carrying amount at the date of the sale. Once the building had been derecognized, revaluation reserves were reclassified as voluntary reserves, for the purpose of calculating solvency under Basel III (see note 22) net of the tax impact, which formed part of the carrying amount of the assets sold, for an amount of EUR 53.3 million (see note 11).

In relation to this operating lease contract:

▪ During 2015 lease expenses amount to EUR 1,077 thousand, recognized as External services under Overheads.

▪ At 31 December 2015 the present value of future payments incurred by the Bank during the contract's obligatory term (regardless of tacit extensions) amounts to EUR 4,034 thousand in the period of one year, EUR 13,627 thousand between one and five years and EUR 42,066 thousand in more than five years.

b) Gains on consolidation

Thousands of EUR	
Balance at 31 December 2013	**34,912**
Acquisitions	93,405
Consolidation gains - depreciation	5,677
Exchange gains	2,344
Balance at 31 December 2014	**136,338**
Acquisitions	13,695
Consolidation gains - depreciation	-
Exchange gains	403
Balance at 31 December 2015	**149,630**

The acquisition of Quest Capital Advisers, S.A. on 17 December 2009 generated goodwill of EUR 13,556 thousand, of which EUR 7,482 thousand was capitalized in 2010 to recognize deferred payments relating to the acquisition. As a result of subsequent adjustments on the basis of real payments of deferred commitments, goodwill totals EUR 11,553 thousand at 31 December 2015.

The acquisition of Columbus de México, S.A. on 11 April 2008 generated goodwill on consolidation of EUR 3,572 thousand. Subsequently, payment of the success premium of US Dollars 3,111 thousand is made, with goodwill totaling EUR 7,043 thousand at 31 December 2015.

Likewise, the acquisition of Andbank Monaco SAM on 30 June 2011 generated goodwill on consolidation of EUR 11,347 thousand.

On 25 October 2011 the acquisition of LLA Particpaçoes, Ltda generated goodwill on consolidation of EUR 10,482 thousand. In 2015 an additional interest of 26.31% was purchased in the aforementioned company, raising goodwill to EUR 15,676 thousand.

The acquisition on 15 April 2014 of Medipatrimonia Invest, SL and Andbank Wealth Management SGIIC, S.A.U. by Andbank España, S.A. generated goodwill on consolidation of EUR 2,941 thousand (see note 2d).

The acquisition of Banco Inversis, S.A.'s retail business branch of activity by Andbank España, S.A. and the acquisition of Swiss Asset Advisors portfolio by Andbanc Advisory LLC has generated goodwill on consolidation of EUR 89,841 thousand and EUR 1,676 thousand, respectively.

During 2015, the acquisition of Banco Andbank (Brasil), S.A. and Sigma Investment House Ltd generated goodwill of EUR 5,969 thousand and EUR 3,584 thousand, respectively.

9. Provisions for Risks and Contingencies

a) Provisions for pensions and similar obligations

Movement in pensions and similar obligations during 2015 and 2014 is as follows:

Thousands of EUR

	Retirements	Early retirements	Pension funds	Total
Balance at 31 December 2013	**754**	**433**	**5,629**	**6,816**
Charge for the year against income statement	2	6	599	607
Payments made to pensioners and surrenders for the year	(67)	(158)	(526)	(751)
Other movements	(69)	(59)	300	172
Balance at 31 December 2014	**620**	**222**	**6,002**	**6,844**
Charge for the year against income statement	2	6	-	8
Payments made to pensioners and surrenders for the year	(67)	(244)	(41)	(352)
Other movements	38	581	297	916
Balance at 31 December 2015	**593**	**565**	**6,258**	**7,416**

The charge to the pension fund is recognized under Other personnel expenses in the income statement. In 2015 and 2014 this charge includes EUR 72 thousand in financial charges.

Payments made to retirees and early-retirees (in accordance with Law 17/2008 and related regulations) during 2015 and 2014 have been recognized against goodwill.

The pension fund, which relates to current employees, is secured by deposits transferred to the interbank market.

Current personnel adhering to the defined contribution pension scheme can, upon request, transfer their pension funds to an investment fund managed by the Bank off the balance sheet. At 31 December 2015 pension funds managed off the balance sheet amounted to EUR 943 thousand, whilst internal funds classified as Provisions for risks and contingencies amount to EUR 6,258 thousand.

b) Other provisions

Movements in these provisions are mainly the result of the additional provisions recognized in 2015 and 2014 to cover possible losses on certain written options.

Movement in other provisions during 2015 and 2014 was as follows:

Thousands of EUR

	31/12/14	Recoveries	Charges	Applications	31/12/15
Other provisions	6,054	-	2,204	-	8,258
Totals	**6,054**	**-**	**2,204**	**-**	**8,258**

Thousands of EUR

	31/12/13	Recoveries	Charges	Applications	31/12/14
Other provisions	4,897	(1,802)	2,959	-	6,054
Totals	**4,897**	**(1,802)**	**2,959**	**-**	**6,054**

10. Distribution of Profit

The directors of Andorra Banc Agrícol Reig, SA will propose to the shareholders at their annual general meeting that the profit for 2015 be distributed as follows:

Thousands of EUR

	2015
Legal reserve	-
Voluntary reserves	24,410
Interim dividend	-
Dividends	22,117
	46,527

The charge to the voluntary reserve includes an amount of EUR 13,867 thousand relating to the annual charge to the non-distributable reserve for gains on consolidation (see note 3.g).

During 2015 the Bank has not distributed interim dividends to the income statement for 2015.

Distribution of profit for the year ended 31 December 2014, approved by the shareholders at their annual general meeting on 30 April 2015, was as follows:

Thousands of EUR

	2014
Legal reserve	-
Voluntary reserves	30,710
Interim dividend	-
Dividends	27,860
	58,570

11. Movement in Equity and General Risks Reserve

Movement in the Group's equity during 2015 and 2014 is as follows:

	Share capital	Legal reserve	Guarantee reserves	Share premium	Revaluation reserves
Balance at 31 December 2013	**78,842**	**15,612**	**24,025**	**73,441**	**61,912**
Distribution of profit for 2013	-	156	-	-	-
Consolidation adjustments	-	-	-	-	-
Other (note 3f)	-	-	-	-	-
Revaluation buildings (note 8)	-	-	-	-	(737)
Share capital increase	-	-	-	-	-
Reclassification of guarantee reserves	-	-	(1,948)	-	-
Profit for 2014	-	-	-	-	-
Interim dividend	-	-	-	-	-
Transfer of reserves	-	-	-	-	-
Share capital increase					
Balance at 31 December 2014	**78,842**	**15,768**	**22,077**	**73,441**	**61,175**
Distribution of profit for 2014	-	-	-	-	-
Consolidation adjustments	-	-	-	-	-
Other (note 3f)	-	-	-	-	-
Tax effect of sale of fixed assets (note 8)	-	-	-	-	(5,920)
Contributions to FAREB	-	-	-	-	-
Reclassification guarantee reserves	-	-	1,362	-	-
Profit for 2015	-	-	-	-	-
Interim dividend	-	-	-	-	-
Transfer of reserves	-	-	-	-	(53,313)
Own share reserves	-	-	-	-	-
Balance at 31 December 2015	**78,842**	**15,768**	**23,439**	**73,441**	**1,942**

a) Share capital

At 31 December 2015 the Banks share capital comprises 1,769,343 shares (1,751,825 class A shares, 14,232 class B shares and 3,286 class C shares) at EUR 44.56 par value each.

b) Legal and voluntary reserves

In accordance with Andorran mercantile law, banks must allocate 10% of the year's profit to the legal reserve until it reaches 20% of the share capital. At 31 December 2015 the legal reserve was fully appropriated.

Voluntary reserves include an amount of EUR 31,903 thousand for differences on first-time consolidation that are restricted and EUR 507 thousand for other items.

In compliance with Law 8/2015 of 2 April 2015 on urgent measures to implement restructuring and resolving mechanisms in banking entities, voluntary reserves comprise EUR 9,442 thousand to be paid up. Pursuant to the aforementioned law, a total of EUR 1,049 thousand has been deposited in the andorran fund for the resolution of banking entities (FAREB).

88.36% of the Bank's voluntary reserves and share premium at 31 December 2015 are available for distribution.

c) Guarantee reserves

This caption includes the deposit guarantee reserves and other operating obligations which have to be deposited with the INAF by entities belonging to the financial system.

In compliance with Law 01/2011 of 2 February 2011 on the creation of a deposit guarantee system for banks, the guarantee reserves caption totalled EUR 23,439 thousand and EUR 22,077 thousand at 31 December 2015 and 2014, respectively (see note 22).

Voluntary reserves	Own share reserves	Translation differences	Consolidation reserves	Interim dividend	Dividends compl.	Consolidation adj. without effect on equity	Profit
169,279	**-**	**19**	**12,780**	**(18,044)**	**-**	**-**	**64,080**
33,896	-	-	-	18,044	9,816	-	(61,912)
-	-	(146)	4,749	-	-	(7,435)	(2,832)
664	-	-	-	-	-	-	664
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,948	-	-	-	-	-	-	-
-	-	-	-	-	-	-	64,269
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
205,787	**-**	**(127)**	**17,529**	**-**	**-**	**-**	**64,269**
30,710	-	-	5,699	-	27,860	-	(64,269)
-		(7,592)	1,345	-	-	-	
6	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(1,049)	-	-	-	-	-	-	-
(1,362)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	54,048
-	-	-	-	-	-	-	-
53,313	-	-	-	-	-	-	-
(1,262)	1,262	-	-	-	-	-	-
286,143	**1,262**	**(7,719)**	**24,573**	**-**	**-**	**-**	**54,048**

d) Revaluation reserves

Revaluation reserves reflect the revaluation of the carrying amount of some of the Bank's buildings to reflect their market value (see notes 3.h and 8).

The revaluation reserves are not available for distribution unless the assets are disposed of and/or the INAF authorizes their distribution.

As a result of the sale of its headquarters (note 8), an amount of EUR 53,313 thousand has been transferred to voluntary reserves.

e) Consolidation reserves

Consolidation reserves correspond to the following companies:

Thousands of EUR

	2015	2014
Andorra Gestió Agrícol Reig, SAU.	2,289	2,492
Andorra Assegurances Agrícol Reig, SA	962	1,741
Grup Nobilitas N.V.	1,910	1,910
Andbank Bahamas (Limited)	14,193	7,871
Grup Andbank Luxembourg	1,632	(661)
Grup Andbank Espanya	558	-
AndPrivate Consulting	(1538)	-
Andbank Panamá	1,339	-
APW Consultores Financeiros Lda	(1,481)	-
Other	4,709	4,176
Total	**24,573**	**17,529**

Movement in consolidation reserves in 2015 and 2014 is as follows:

Thousands of EUR

Balance at 31 December 2013	**12,780**
Distribution of 2013 profit to reserves	3,376
Complementary dividend for 2012	(4,242)
Other consolidation adjustments	5,615
Balance at 31 December 2014	**17,529**
Distribution of 2014 profit to reserves	5,699
Other consolidation adjustments	1,345
Balance at 31 December 2015	**24,573**

f) Profit/loss attributed to the Group

Details of profit/loss attributed to the Group at 31 December 2015 and 2014 are as follows:

Thousands of EUR

	2015	2014
Andorra Banc Agrícol Reig, SA	**46,527**	**58,570**
Fully consolidated companies:	**19,980**	**14,052**
Andorra Gestió Agrícol Reig, SA	5,590	3,029
Andbank Bahamas (Limited)	5,786	6,027
Group Nobilitas N.V.	(2,282)	(1,458)
Columbus de México, SA, CV	(188)	138
And Private Wealth, SA	(1,256)	(744)
Quest Capital Advisers	1,401	1,659
Andbanc Wealth Management LLC Grup	(1,957)	(1,912)
Consolidation adjustments Nobilitas Group	(282)	(599)
Group Andbank Luxemburg	479	3,135
Andbank (Luxembourg) SA	(461)	905
Andbank Asset Management Luxembourg, SA	940	2,238
Consolidation adjustments Andbank Lux Group	-	(8)
Group Andbank España	4,473	(1,272)
Andbank España, SA	3,294	(1,545)
Andbank Wealth Mangament,SGIIC, SAU	1,069	509
Medpatrimonia Invest, SL	112	(248)
APC SSAA	(2)	-
Consolidation adjustments Andbank Lux Group	-	12
Andbank (Panamá), SA	6,556	3,513
APW Consultores Financeiros Ltda.	(1,401)	(2,585)
Andbank Monaco, SAM	705	3,800
Banco Andbank Brasil Ltda.	1,467	-
Other	(1,391)	(137)
Companies accounted for using the equity method	**797**	**919**
Andorra Assegurances Agrícol Reig, SA	797	919
Consolidation adjustments	**(13,256)**	**(9,272)**
	54,048	**64,269**

g) General risks reserve

Movement in the general risks reserve during 2015 and 2014 is as follows:

Thousands of EUR

Balance at 31 December 2013	**5,393**
Charges to the reserve	3,100
Net charges to provision	-
Balance at 31 December 2014	**8,493**
Charges to the reserve	936
Net charges to provision	(4,700)
Balance at 31 December 2015	**4,729**

During 2015 the Bank recovered EUR 4,700 thousand from the general risks reserve in order to offset expenses inherent to the activity's exposure during the year. This recovery is included under Extraordinary profit/loss on the income statement and represents 71% of the balance of this item.

h) Subordinated liabilities

At its meeting held on 26 November 2014 the Bank's board of directors agreed to request authorization to issue bonds amounting to EUR 50,000 thousand. On 29 December 2014 the INAF granted authorization to issue perpetual contingent subordinated bonds of EUR 35 million and to issue perpetual convertible contingent subordinated bonds of EUR 15 million. These bonds are considered as equity for Andbank's solvency purposes, upon confirmation of registration with the INAF.

Taking as a reference the requirements set out in EU legislation and, more specifically, 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 Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR) these bond issues can be computed as additional Tier 1 capital instruments in accordance with the aforementioned regulatory framework (see note 22).

During the first few months of 2015, these products have been issued and commercialized, with both issues being fully subscribed and accruing annual interest at a rate of 5.5%.

i) Own shares

In 2015 the Bank has included own shares of EUR 1,262 thousand on the balance sheet, for which it has made a non-distributable reserve for the same amount.

12. Balances in EUR and Other Currencies

The breakdown of assets and liabilities in the balance sheets at 31 December 2015 and 2014 in EUR and other currencies is as follows:

Thousands of EUR

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
EUR	3,857,450	3,314,860	3,810,284	3,409,457
Other currencies	1,206,546	1,749,136	1,088,117	1,488,944
	5,063,996	**5,063,996**	**4,898,401**	**4,898,401**

13. Other Balance Sheet and Income Statement Items

In addition, at 31 December 2015 and 2014 other significant items are as follows:

a) Other assets

Thousands of EUR

	2015	2014
Operations in progress	9,230	9,695
Inventories	14	13
Options purchased	48,687	71,939
Public entities	-	-
Taxes	11,656	8,038
Other receivables	46,799	46,250
	116,386	**135,935**

Operations in progress include the amounts receivable from market counterparties.

Taxes comprise income tax payments made during the year.

b) Other liabilities

Thousands of EUR

	2015	2014
Operations in progress	4,327	19,554
Options issued	3,631	747
Public entities	30,572	14,257
Securities borrowed	36,673	33,530
Other payables	22,413	64,346
	97,616	**132,434**

The amount of securities borrowed by the Bank from its portfolio of assets held in custody is recognized under Other liabilities - Securities borrowed on the liabilities side of the balance sheet, and under Loans and receivables - Loans and advances to customers on the asset side of the balance sheet.

The valuation adjustment to options written is recognized, where applicable, under Provisions for risks and contingencies (see note 9.b).

14. Financial Derivatives

Transactions in futures and financial derivatives are detailed below at their notional amount by type of derivative product held by the Group at 31 December 2015 and 2014. A distinction is made between trading and hedging operations by the market to which they belong:

Thousands of EUR

2015				
	Market	Hedging	Trading	Total
Outstanding forward currency purchases and sales	Unregulated	1,808,450	-	1,808,450
Options	Unregulated	36,213	330,077	366,290
Swaps	Unregulated	1,319,556	94,902	1,414,458
Other agreements	Unregulated	1,639,456	65,678	1,705,134
		4,803,675	**490,657**	**5,294,332**

Thousands of EUR

2014				
	Market	Hedging	Trading	Total
Outstanding forward currency purchases and sales	Unregulated	2,383,362	-	2,383,362
Options	Unregulated	441,146	265,076	706,222
Swaps	Unregulated	1,464,734	249,763	1,714,497
Other agreements	Unregulated	1,783,373	25,271	1,808,644
		6,072,615	**540,110**	**6,612,725**

Outstanding forward currency operations are firmly contracted with the main aim of hedging customer operations in the market and, with lesser amounts, to hedge currency risks. The Bank's global position by currency and terms is monitored and closed on a daily basis.

Swaps and options are firmly contracted in order to hedge the interest rate risk of operations with customers. The Bank regularly monitors the difference between the nominal amount contracted and the amount of the operations to be hedged and considers these differences as trading swaps.

Other agreements correspond to firm hedging operations executed with customers and other trading operations on securities positions.

The maturities of futures operations and financial derivatives are as follows:

Thousands of EUR

2015	Less than 1 year	From one year to five years	More than five years	Total
Outstanding forward currency purchases and sales	1,808,450	-	-	1,808,450
Options	36,213	310,000	20,077	366,290
Swaps	660,193	665,997	88,268	1,414,458
Other agreements	634,268	1,062,266	8,600	1,705,134
	3,139,124	**2,038,263**	**116,945**	**5,294,332**

Thousands of EUR

2014	Less than 1 year	From one year to five years	More than five years	Total
Outstanding forward currency purchases and sales	2,255,828	124,924	2,610	2,383,362
Options	339,932	346,213	20,077	706,222
Swaps	545,780	1,059,599	109,118	1,714,497
Other agreements	438,048	1,302,996	67,600	1,808,644
	3,579,588	**2,833,732**	**199,405**	**6,612,725**

15. Taxation: Income tax

The Group has filed income tax returns since 2012. In accordance with prevailing legislation, profits are taxed at a rate of 10%. Tax payable is eligible for certain deductions in accordance with legislation prevailing at any given time. Foreign subsidiaries are taxed in accordance with the legislation of each country.

In the opinion of the Bank's directors and its tax advisors, there are no significant tax contingencies which could give rise to different possible interpretations of prevailing tax legislation in the event of an inspection.

Details of this heading of the income statement are as follows:

Thousands of EUR

	2015	2014
Current income tax for the year	(3,213)	(6,562)
Deferred tax income	1,256	-
Income tax adjustments	1,235	-
Local income tax	**(722)**	**(6,562)**
Foreign income tax	(1,906)	(573)

Due to the treatment permitted by Andorran tax legislation for certain transactions, the accounting profit differs from the profit for fiscal purposes. A reconciliation between accounting profit for the year and net tax payable that the Group expects to declare for its Andorran companies once these financial statements have been authorized for issue, together with details of forecast payments, is as follows:

Thousands of EUR

	2015	2014
Accounting profit before tax (*)	52,839	68,161
Permanent differences	(9,591)	1,605
originating in the year	(9,591)	1,605
originating in prior years	-	-
Accounting income	43,248	69,766
Temporary differences	477	2,407
originating in the year	477	2,407
Taxable income	43,725	72,173
Tax rate of 10%	4,373	7,217
Tax payable	**4,373**	**7,217**
Deductions and credits	(1,160)	(655)
Income tax expense for the year	3,213	6,562
Tax payable for temporary differences originating in prior years (**)	5,920	-
Withholdings and payments on account	(2,660)	(3,863)
Tax difference	**6,473**	**2,699**

(*)This amount corresponds to the sum of the individual accounting profit/loss of each Andbank Group company subject to Andorran income tax legislation.
(**) Amount recognized under deferred tax liabilities until effective settlement of income tax, due to the sale of fixed assets (note 8).

A reconciliation between accounting profit before tax and the aggregate income tax expense of the Andorran companies for 2015 and 2014 is as follows:

Thousands of EUR

	2015	2014
Income and expenses for the year	52,839	68,161
10% of the income and expenses balance for the year	5,284	6,816
Tax effect of permanent differences	(910)	401
Deductions and credits for the current year	(1,160)	(655)
Income tax expense	**3,213**	**6,562**

As a result of prevailing legislation, certain temporary differences have arisen which have been recognized on the balance sheet at 31 December 2015. Movement in the different deferred tax assets and liabilities during 2015 and 2014 has been as follows (in thousands of EUR):

	Deferred tax assets		Deferred tax liabilities	
	2015	2014	2015	2014
Opening balance	-	-	-	-
Increases	1,256	-	5,920	-
Decreases	-	-	-	-
Closing balance	**1,256**	**-**	**5,920**	**-**

Details by type of the origin of deferred tax assets and liabilities at 31 December 2015 and 2014 are as follows:

Thousands of EUR

	2015	2014
Deferred tax assets		
Differences due to temporary charging of income and expenses		
Charges to provisions	1,256	-
Deferred tax liabilities		
Tax effect of revalued fixed assets (note 8)	5,920	-

According to estimates for 2015, the Group companies subject to Andorran Income Tax Law have no tax loss carryforwards to be offset against future taxable income.

The balance pending application at 31 December 2015 from the deductions generated by Group companies subject to the Andorran Income Tax Law amounts to EUR 185 thousand.

16. Assets Pledged as Collateral

At 31 December 2015 the Group has contracts for the transfer of assets under repurchase agreements, secured for a fixed income portfolio of EUR 328,365 thousand.

In compliance with Law 01/2011 of 2 February 2011 on the creation of a deposit guarantee system for banks, at 31 December 2015 the Bank uses a volume of fixed income amounting to EUR 23,925 thousand to cover the Deposit Guarantee Fund.

In compliance with Law 8/2015 of 2 April 2015 on urgent measures to implement restructuring and resolving mechanisms in banking entities, at 31 December 2015 the Bank uses a volume of fixed income of EUR 9,599 thousand, to cover the andorran fund for the resolution of banking entities (FAREB) pending disbursement.

17. Transactions with Related Entities and Individuals

Details of transactions with related entities and individuals that exceed 10% of equity at 31 December 2015 and 2014 are as follows:

Thousands of EUR

	2015				
	Shareholders	Subsidiaries	Members of the Board of Directors (non-shareholders)	Members of General Management (non-shareholders)	Other related parties
Banks and credit institutions					
Assets	-	-	-	-	-
Liabilities	-	-	-	-	-
Loans and receivables	54,511	-	-	-	-
Memorandum accounts	15,446	-	-	-	-
Customer deposits	402	-	-	-	-

Thousands of EUR

	2014				
	Shareholders	Subsidiaries	Members of the Board of Directors (non-shareholders)	Members of General Management (non-shareholders)	Other related parties
Banks and credit institutions					
Assets	-	-	-	-	-
Liabilities	-	-	-	-	-
Loans and receivables	53,095	-	-	-	45,845
Memorandum accounts	20,104	-	-	-	66,435
Customer deposits	1,469	-	-	-	6,166

The Bank's positions held with shareholders correspond to one individual, who is not a member of the Board of Directors or Senior Management.

In relation to subsidiaries, at 31 December 2015 and 2014 no balances representing more than 10% of equity are held with non-shareholder members of the Board of Directors and non-shareholder members of Senior Management.

There are no positions held with other related parties representing more than 10% of equity at 31 December 2015.

In relation to shareholders, during 2015 and 2014 no transactions have been conducted with non-shareholder members of the Board of Directors, subsidiaries, non-shareholder members of Senior Management or other related parties that represent more than 5% of profits for 2015 and 2014, respectively.

18. Risk Management and Control

Risk management and control is a key aspect and priority objective of the Andbank Group and it is a fundamental pillar of the internal control system. The risk control framework includes a qualitative component, concerning the definition of policies and responsibilities, and a quantitative component, associated with the setting of limits.

The positioning of the Group in terms of risk management is based on maintaining a prudent policy, where risk assumption is closely linked to the exercise of business activities in commercial banking, private banking and asset management.

The establishment of policies, the setting of limits and the overall supervision of risks is the responsibility of the Assets, Liabilities and Risks Committee (ALRCO), under delegation from the Board of Directors. The general policies and specific limits defined by the ALRCO are therefore submitted to the Board of Directors for analysis and approval.

To determine the risk limits granted to countries or financial institutions, the Group uses relatively stable variables such as credit ratings or Tier I capital, and market variables such as the price at which the Credit Default Swap is traded. Given the continuing sovereign debt crisis and the downgrading of countries and financial institutions, these limits have been reviewed frequently.

As the body responsible for the management of interest rate risk, currency risk, country risk, counterparty risk, liquidity risk and market risk, the ALRCO meets at least monthly. The ALRCO has delegated the task of supervising these risks to the Middle Office department, which reports to the ALRCO on a daily and weekly basis, where applicable, with information on the risks managed. The ALRCO is also responsible for balance sheet management and capital management, with the aim of maintaining a high level of capital adequacy.

Responsibility for guaranteeing the asset management business is exercised in accordance with the established legal and regulatory framework and the task of assessing the results is assigned to the Asset Management ALRCO, which meets monthly. The committee delegates the monitoring of asset management activity to the Middle Office. Besides monitoring compliance with the regulatory framework, the Middle Office assesses compliance with the investment policy of the funds and portfolios and regularly monitors the measures of return and risk.

Interest rate risk

Interest rate risk is defined as the impact on the market value of the Group's assets and liabilities resulting from movements in interest rates. The measures the Group uses to assess this impact are the sensitivity of the net interest margin over a one year period to 10 basis point parallel shifts in the yield curve for the main balance sheet currencies and the sensitivity of the market value of own funds to 100 basis point parallel shifts in the yield curve.

In a scenario of historically low interest rates in recent years, the Group maintains positive exposure to shifts in the interest rate curve, i.e. the Group's financial margin would increase in the event of a rise in interest rates. On the contrary, its financial margin would drop in the event of a decrease in interest rates, although sensitivity is asymmetric at the current interest rate levels, with positive sensitivity being much higher than negative sensitivity. The repricing gap of the Group's interest-rate-sensitive balance sheet assets and liabilities is positive, i.e., overall, the repricing of assets precedes in time the repricing of liabilities. This positioning is reflected in very short term interbank deposits and in a fixed-income portfolio investing mainly in bonds pegged to the 3 or 6 month Euribor, or fixed-rate bonds maturing in the short or medium term, although part of the portfolio is made up of longer-term fixed-rate bonds which allow an additional margin to be generated and increase the duration of the balance sheet assets. Most of these bonds are financed through fixed rate repos, which enable the duration risk to be collected. During 2015 futures have also been contracted to temporarily hedge the interest rate risk on fixed rate bonds from the trading portfolio, as well as interest rate swaps to hedge the duration risk of mid to long-term bonds in the ordinary or held-to-maturity investment portfolio.

The limit on the sensitivity of equity to a 100 basis point parallel shift in the yield curve has been set by the Board of Directors at 5%. The sensitivity of equity was positive throughout 2015, due to the chosen interest rate strategy and the balance sheet positioning, but was maintained below this limit at all times.

Market risk

Market risk is understood as the potential loss to which the trading portfolio is exposed due to changes in market conditions, such as asset prices, interest rates, volatility and market liquidity. The measure the Group uses to manage market risk in its investment portfolio is value at risk (VaR), as a general market standard, together with stress testing of the held-to-maturity portfolio.

VaR is calculated using the historical method. The calculation obtained corresponds to the maximum expected loss over a given time horizon and with a given confidence level. The Group calculates VaR for a time horizon of one day and with a confidence level of 99%, and the historical period used for the calculation is one year. During 2015 the average VaR calculated for the trading portfolio was EUR 457 thousand, with a maximum of EUR 674 thousand and a minimum of EUR 204 thousand. The average position of the trading portfolio was EUR 303 million. Globally the trading portfolio comprises bonds with good credit ratings and of a very short duration, which determines a very reduced VaR.

The Group stress tests its held-to-maturity portfolio to assess the expected loss of the portfolio in extreme situations involving abrupt increases in the yield curve or widening of credit spreads. These tests use simulations to predict how the market value of the portfolio assets is likely to change in different scenarios. Seven scenarios are analyzed: four are historical (2010 Greek crisis, Lehman Brothers bankruptcy in 2008, 2001 terrorist attacks on the Twin Towers and 1998 Russian debt crisis) and three are hypothetical (steepening of the yield curve, general widening of credit spreads, and steepening of the yield curve correlated with a widening of credit spreads).

Credit risk

Credit risk is the potential loss that would arise should a counterparty fail to meet its obligations with the Group. The Group's exposure to credit risk comprises:

- The risk of default arising from ordinary treasury operations, which basically include interbank lending, securities lending and borrowing, repos and OTC derivative transactions.
- The risk of default by the issuers of bonds held in the Group's own portfolio.
- The risk of default of the loan portfolio.

The Group follows a prudent policy in assigning credit limits, authorizing exposure only to countries with high credit ratings and in these countries only to the financial institutions with an investment grade credit rating and which have moderate credit spreads. Risk limits are approved annually by the Board of Directors, although upgrading of limits can be more frequent, in order to reflect changes in the credit rating and tensions in the credit spreads of entities, thus maintaining a moderate level of risk.

The Group follows a prudent policy in assigning credit limits, authorizing exposure only to countries with high credit ratings and in these countries only to the financial institutions with a moderate credit risk. The Board of Directors approves the risk limits every year.

The Group uses securities as collateral in various transactions. The limits granted are stricter for exposures to counterparties where there is no collateral as a guarantee. In such cases, the counterparty must have a high credit rating, based on the ratings assigned by the main agencies (Moody's, Fitch and S&P), and must have been assigned a relatively moderate credit risk by the market, as reflected in the level of five-year CDS prices compared to a benchmark. Observation of the market variable allows any change in the counterparty's credit rating to be swiftly included in the model.

General risk policy criteria are established regarding credit risk exposures due to transactions with customers, in order to keep a clean and controlled loan portfolio with regard to risk exposure, as part of the entity's corporate culture, and focusing on the global objectives policy, the basic principles being optimization of quality and market diversification and positioning at all times.

Risk admission, the study and granting of transactions and credit risk management policies are established in the different phases (admission, monitoring and recovery).

The application of the risk policy is sustained by a structure of powers, responsibilities and functions:

Admission policy:

The aim is to guarantee that transactions meet risk standards, using the following procedure:

- Admission channels: through the commercial network (branch office network).

- Documentation: guarantee that documentary support exists for analyzing and final decision making regarding admission.

- Analysis: based on the documentation the transaction, and its capacity for return and solvency are analyzed.

- Proposal by Sdar: IT application enabling the transaction to be presented based on the evaluation and corresponding sanction.

- Approval: depending on the sanctioning body which has the power to approve or reject.

- Formalization and accounting: using the Sdar tool, the transaction is formalized and accounted for in the Group's systems.

Monitoring policy:

Risk monitoring procedures exist as soon as payment default/overruns/overdrafts arise, as well as monitoring the value of collateral and control on derivative and exchange insurance transactions.

Recovery policy:

Defaulted, contentious or pre-contentious risks are systematically reviewed and measures are taken to update, investigate and analyze the return capacity of debtors.

Liquidity risk
Liquidity risk is defined as the risk that the Group will be unable to meet its payment obligations at a given time, whether arising from, among others, the maturing of deposits, the drawdown of committed credit facilities or margin calls on collateralized borrowings.

The ALCRO manages liquidity risk, ensuring at all times that there is sufficient liquidity to meet liability settlements, whilst keeping a liquidity retainer to be able to take advantage of asset investment opportunities.

In order to correctly manage liquidity the balance sheet is analyzed for contractual maturities. The entity has IT tools to correctly distribute maturities of assets and liability items over time, in such a way that future collection and payment flows can be analyzed and possible gaps assessed.

Most of the Group's funds come from customer deposits, although the interbank market is also an important source of funding, mainly through repo transactions.

The Middle Office supervises the liquidity position on a daily basis and verifies that it remains above the minimum liquidity level set by the ALRCO. This minimum level currently stands at EUR 350 million of cash and repo available within one day and an additional EUR 500 million of cash and highly liquid positions available within one year. Middle Office supervision includes daily monitoring of positions to be financed through repo and the liquid assets portfolio.

The liquidity ratio established by the INAF, the Andorran banking supervisor, is calculated monthly. This ratio compares liquid and relatively liquid assets with liabilities becoming due and payable and is set at a minimum of 40%. This means that the Bank is required to have at least 40% of liquid or semi-liquid assets, available immediately or in the near term, to cover the total amount of the funding received. The Group's average liquidity ratio during 2015 was 67.72% and the liquidity ratio at year end was 76.57%.

In order to comply with international standards, the Andbank Group calculates and monitors the liquidity coverage ratio (LCR).

This ratio is defined by the Basel Banking Supervision Committee and links highly liquid and available assets with net cash inflows less outflows in the following 30 days. The Andbank Group has a LCR of 200% at year-end, fully exceeding the limit imposed by legislation (60%).

Since the start of the international financial crisis the Group has prepared a liquidity contingency plan, which is updated monthly. This plan includes an assessment of contingent liquidity, assuming different levels of conversion of liquid assets into cash and available funding sources, taking the cost at which the liquidity could be generated into account. The assets that can be converted into cash and the manageable sources of liquidity are ranked, so as to give priority to the use of liquidity sources that have a low impact on the income statement, while postponing the use of liquidity sources that have a high negative impact on the income statement. In addition, potential outflows of liquidity, whether resulting from customer activity or activity in the financial markets, are identified and classified as either probable or improbable, based on likelihood of occurrence. Finally, the liquidity that could be generated is compared with the potential outflows to check that the surplus is above the approved minimum level of liquidity.

Currency risk

Currency risk is defined as the risk that movements in exchange rates will have an impact on the market value of the Group's assets and liabilities denominated in currencies other than the Euro. Spot and forward currency transactions are monitored on a daily basis to ensure that the open position in foreign currency is kept within the authorized limits.

Operational risk

Operational risk is the risk of losses arising from inadequate or failed internal processes, people and systems or from external events.

The Group has control and monitoring systems, instrumented through the updating of data registering possible deviations representing a risk focus or an economic loss, for the purpose of identifying, measuring and mitigating operational risk.

The organization and methodology of analysis is established under the directives of the Basel Committee.

Legislative compliance risk

Compliance with prevailing legislation regarding anti money laundering and the rendering of investment services is an essential objective for Andbank. The entity has adopted a series of measures to manage legislative compliance and reputational risks. Legislative compliance risk is understood to be the possibility of material or reputational sanctions or financial losses as a result of non-compliance with prevailing legislation and/or the bank's own internal procedures. Therefore, the legislative compliance risk is closely linked to reputational risk, which implies that the Andbank Group is negatively perceived by public opinion or interest groups (customers, counterparties, employees, regulators) due to failures during the course of its activity.

Andbank considers that its public image is its best asset when retaining the trust of customers, regulators, shareholders and investors.

Andbank has a legislative compliance function in line with its strategic objectives, which carries out its activities separately from the business areas and is formed of professionals specialized in each jurisdiction in which the Group operates.

Taking into consideration the aforementioned objectives, Andbank has designed a series of global policies approved by the Board of Directors. These policies are reviewed regularly and are applicable to the whole of the Group. Andbank has also designed a series of internal controls to manage legislative and reputational risk.

The main pillars on which Andbank has instrumented the management of legislative compliance risk and reputational risk are as follows:

Ethical and conduct rules

Andbank adopts measures to promote ethical conduct by all of the Group's employees. For this purpose, Andbank understands that the customer is its key element and that no business can be admitted if it generates reputational risk.

The entity has an Ethical Code stipulating the standards of conduct with which all employees, directors and administrators must comply and binding them to a responsible conduct when carrying out their duties.

Prevention of money laundering and terrorism financing

Andbank undertakes to actively combat money laundering, financing of terrorism and other financial crimes. The effective implementation of procedures and rules based on the "Know your customer" (KYC) rules are fundamental for the Group.

KYC implies the entity having in-depth knowledge of both the individuals and entities with which it operates (whether it be a simple transaction or a long-standing commercial relationship) or to which it offers services, as well as knowing who are the final beneficiaries and related parties. KYC is an ongoing process which starts with acceptance of the customer and lasts during the whole business relationship.

In the framework of private banking the entity has a global money laundering model based on EU directives. This model includes necessary adaptations to the particularities of the business of each subsidiary and to local legislation and is constantly being changed to bring it into line with legislative amendments.

Andbank does not accept as customers any persons linked to any criminal activity, persons on which there are suspicions regarding the origin of their funds or where it is doubtful who the final beneficiary is, persons who refuse to provide information/documentation, screen banks, financial institutions without a license, etc.

For this purpose, Andbank applies a series of reinforced measures when carrying out and monitoring customer transactions. On the basis of information provided by customers and the information obtained by the entity, all customers are classified in view of their potential risk in accordance with international standards (country of origin, residence, professional activity, public importance, etc.).

The legislative compliance function is focused on carrying out an independent review to provide sufficient guarantees when contracting new customers. This process is not just limited to accepting customers, it is also vital to perform ongoing monitoring to guarantee adequate knowledge of our customers at all times and therefore be able to detect transactions which could breach prevailing legislation.

In order to reinforce good governance in this field, critical for any financial institution, Andbank has set up various committees in which senior management participates and in which the contracting of especially relevant customers is reviewed. A follow up is also carried out of the measures taken by the legislative compliance function, making as many decisions as considered necessary for the aforementioned purposes.

Investor protection

The Group's commitment to its customers has two fundamental dimensions: long-term value creation and maximum information transparency. For this purpose, in order to guarantee that requirements stipulated by different legislations are met, the Group has global policies and procedures in place which are in line with each jurisdiction in which it operates.

The model established by Andbank to mitigate risks of legislative and reputational compliance takes into consideration the following:

- An organizational structure focused on risk management.
- Allocation of functions and responsibilities within the organization.
- Transparent policies and procedures available to customers.
- Reinforcement of rules of conduct to increase investor protection.
- A procedure of distributing financial products based on classification of services, type of customer and products offered.

In this regard, the Group ensures that the following is achieved:

- Financial services in line with customer requirements.
- A transparent bilateral relationship with rights and obligations for both parties.
- Fair resolution of customer complaints.

Knowledge management and training

One of the Group's priorities in this area is the adoption of training actions, to ensure that all employees are aware of the requirements arising from applicable laws and regulations and the procedures implemented.

Every year the Group draws up the necessary training plans in all jurisdictions. Training is given by the Group or external providers. Transmitting a culture of compliance throughout the organization is key to adequate management of legislative compliance risk.

Incidents and complaints

Andbank gives priority at all times to its customers and therefore, it never fails to consider or deal with their opinions or possible complaints. The Quality Department channels all complaints that customers submit to the Bank through the various communication channels available. This department's aim is to quickly resolve any incidents and promote any necessary changes in policies and procedures to mitigate the risk of these incidents happening again.

19. Deposits and Other Securities held in Custody

At 31 December 2015 and 2014, details of this caption of the consolidated memorandum accounts, by security type, are as follows:

Thousands of EUR

	2015	2014
Shares and other variable-income securities	2,784,244	2,842,187
Bonds and other fixed-income securities	5,789,424	5,659,107
Units in investment funds not managed by the Group	6,250,769	6,255,160
Units in investment funds not managed by the Group	342,023	490,507
Other	11,420	141,171
	15,177,880	**15,388,132**

At 31 December 2015 Deposits of securities and other securities under custody include an amount of EUR 525,334 thousand (EUR 500,908 thousand in 2014) held as collateral for various security-backed loans (see note 6) and off-balance sheet exposures.

At 31 December 2015, the wealth of individual customers managed by the Bank is classified under Deposit of securities under custody of third parties in memorandum accounts and under liabilities in the accompanying consolidated balance sheet. The income recognized for management commissions is recognized under Fees and commissions for services in the accompanying consolidated income statement.

The measurement criteria for securities and other securities under custody are described in note 3.s.

20. Assets Managed for Third Parties

Details of assets managed for third parties, whether held in custody or not by the Group at 31 December 2015 and 2014 are as follows:

Thousands of EUR

	2015			2014		
	Held in custody / deposited by the Entity	Held in custody /deposited by third parties	Total	Held in custody / deposited by the Entity	Held in custody /deposited by third parties	Total
Collective investment undertakings	661,513	1,616,866	2,278,379	901,889	1,336,203	2,238,092
Individual customer portfolios managed discretionally	1,682,828	4,967,999	6,650,827	1,471,630	3,827,971	5,299,601
Other individual customers	13,830,643	-	13,830,643	13,913,400	-	13,913,400
Total	**16,174,984**	**6,584,865**	**22,759,849**	**16,286,919**	**5,164,174**	**21,451,093**

21. Other Memorandum Accounts

Details at 31 December 2015 and 2014 are as follows:

Thousands of EUR

	2015	2014
Very doubtful loans	77,694	67,133
Other	104,944	154,889
Trusts	87,143	70,687
Other	17,801	84,202
Public debt issued by the Andorran Government	7,393	73,132
Unlisted own securities	8,272	9,189
Other	2,136	1,881
	182,638	**222,022**

Trusts include unlisted variable-income securities that the Bank holds for third parties. These securities are shown at their nominal amount.

22. Compliance with Legislation

Law regulating mandatory investment ratios (Llei de regulació del coeficient d'inversions obligatòries)

In a session held on 30 June 1994 the Principality of Andorra's General Council passed a Law regulating mandatory investment ratios. The Regulations pursuant to this law exclusively concern banking institutions and oblige them to maintain a certain investment ratio of assets in Andorran public funds.

On 31 December 2005 the Government enacted a Decree for public debt issue to which the Bank subscribed in an amount of EUR 55,766 thousand, with maturity on 31 December 2009 and accruing interest at the official one-year rate of the European Central Bank. At 31 December 2009 this public debt was renewed by an amount of EUR 55,506 thousand maturing on 31 December 2013. Upon maturity at 31 December 2013, this issue was renewed and the new maturity date established at 31 December 2015. During the first quarter of 2016 this issue has been formally renewed (see note 7). Loans extended by the banks within a program classified as being of national and social interest, which is aimed specifically at privileged financing of housing, are now also considered to be public funds, as approved by the Andorran Government on 26 April 1995. At 31 December 2015 the loans extended by the Bank in this regard amounted to EUR 10 thousand (EUR 53 thousand at 31 December 2014). They are recognized under Loans and receivables / Loans and advances to customers on the accompanying consolidated balance sheet. These loans accrue interest at an annual fixed market rate of 6%.

In a session held on 11 May 1995 the Principality of Andorra's General Council passed a Law regulating deposit guarantee reserves and other operational obligations, which are to be held and deposited by entities operating in the financial system. This law obliges the banks forming part of the Andorran financial system to maintain various minimum reserves of equity in their permanent funds to secure their operational obligations up to a limit of 4% of their total investments, after deducting investments made using equity and banking funds. In accordance with Law 1/2011 of 2 February 2011 for the creation of a deposit guarantee scheme for banks, amounts deposited in the INAF pursuant to the provisions of the Law on deposit guarantee reserves and other operational obligations were released. Accordingly, as a consequence of the agreement reached by the guarantee fund Management Commission on 29 August 2011, pursuant to Law 1/2011 of 2 February 2011, the Bank has created a reserve of EUR 23,439 thousand at 31 December 2015 (see note 11.c).

On 3 March 2010 the Government issued a decree classified as of national and social interest under the program to provide privileged financing for start-up companies and businesses, innovation, conversion and entrepreneurial ventures. Basically, the decree is aimed at promoting and supporting the new ideas of those who, in difficult times and changing environments, see opportunities and challenges which, though not without risk, have the potential to assist the country's economic development. This is to be done by granting loans, subject to a prior assessment and overall approval of proposals by a joint committee made up of representatives of the Chamber of Commerce, Industry and Services of Andorra, the development company Andorra Desenvolupament i Inversió, SAU, the Association of Andorran Banks (ABA) and the Government of Andorra.

The amount outstanding at 31 December 2015 is EUR 334 thousand (EUR 426 thousand in 2014), recognized under loans and advances to customers in the balance sheet.

Law regulating capital adequacy and liquidity criteria of financial institutions (Llei de regulació dels criteris de solvència i de liquiditat de les entitats financeres)

In a session held on 29 February 1996, the Principality of Andorra's General Council approved the Law regulating capital adequacy and liquidity criteria of financial institutions.

This law obliges banks to maintain a minimum capital adequacy ratio of 10%, based on the recommendation of the Basel Committee on Banking Regulations and Supervisory Practices, calculated on the basis of a ratio that relates the qualifying equity to the weighted risk assets as per the degree of risk of such assets. Banks are also obliged to maintain a liquidity ratio of at least 40%.

The capital adequacy and liquidity ratios of the consolidated financial statements, determined in accordance with this law, were 20.72% and 76.60%, respectively, at 31 December 2015 (16.68% and 61.22% at 31 December 2014).

The Law regulating capital adequacy and liquidity criteria of financial institutions also restricts the concentration of risks in a single beneficiary up to a maximum of 20% of the equity of the bank. The law also stipulates that the accumulation of risks that by themselves exceed 5% of the equity cannot exceed the limit of 400% of the above-mentioned equity. The risk maintained with the members of the board of directors cannot exceed 15% of the equity. These risks are weighted in accordance with the aforementioned law.

During the year the Group has complied with the requirements of this law. The maximum risk concentration of risk in favor of a single beneficiary was 18.86% of equity (17.99% in 2014). Loans or other operations involving risk in a single beneficiary that exceed 5% of equity have not exceeded an accumulation of risks of 156.20% in the aggregate (99.96% in 2014).

In addition, pursuant to the capital requirements in the framework of Basel III (see note 11.h) agreed by the Basel Banking Supervision Committee in 2010 which require at 2015 year end a minimum common equity tier 1 ratio of 4.5%, a minimum tier 1 capital ratio of 5.5% and a minimum capital ratio of 8% (including common tier 1 capital items, additional tier 1 capital items as well as tier 2 capital items), the Andbank Group stands at well above these minimum ratios at 31 December 2015 and presents a comfortable situation in order to comply with any regulations complementing current ones. In this stricter regulatory environment, Andbank Group's fully-loaded capital ratios at 31 December 2015 are:

Common equity tier 1 ratio (CET1) of 11.63%.

Tier 1 capital ratio of 13.75%.

Capital ratio of 14.19%.

It should also be highlighted that the Andbank Group's current ratios amply meet the minimum capital requirements to enter into force in 2019 and which set a minimum of 7% for the CET1 ratio, 8.5% for the Tier 1 ratio and 10.5% for the capital ratio.

Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime (Llei de cooperació penal internacional i de lluita contra el blanqueig de diners o valors producte de la delinqüència internacional)

At its session held on 29 December 2000, the Principality of Andorra's General Council approved the Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime, which was subsequently amended by Law 28/2008 of 11 December 2008, Law 4/2011 of 25 May 2011, Law 20/2013 of 10 October 2013 and Law 4/2014 of 27 March 2014.

In accordance with this law, the Group has set up proper and sufficient control and internal communications procedures to protect banking secrecy and prevent and impede operations related to money laundering generated by criminal activities. Specific personnel training programs have been carried out to this effect.

Law on the legal regime governing entities operating in the Andorran financial system and other provisions regulating financial activities in the Principality of Andorra (Llei sobre el règim jurídic de les entitats operatives del sistema financer andorrà i altres disposicions que regulen l'exercici de les activitats financeres al Principat d'Andorra)

In the session held on 9 May 2013 the General Council approved Law 7/2013 on the legal regime governing entities operating in the Andorran financial system and other provisions regulating financial activities in the Principality of Andorra (Llei sobre el règim jurídic de les entitats operatives del sistema financer andorrà i altres disposicions que regulen l'exercici de les activitats financeres al Principat d'Andorra)

The purpose of this law is to unify the legislation governing banks operating in the financial system contained in Laws 24/2008, 13/2010, 14/2010 and the 1996 Law regulating the operational functions of the different components of the financial system into one single text. For this reason, although this Law does not introduce any significant amendments to the existing regulations, it does act to reinforce and restructure the prevailing laws to provide increased legal security to the legislative framework governing the Andorran financial system.

Approval of Law 7/2013 implies repealing the following laws: 1996 Law regulating the operational functions of the different components of the financial system; Law 24/2008 regulating the regime of specialised non-banking credit institutions; Law 13/2010 regulating the legal regime of investment entities and collective investment undertaking management companies; and articles 8 to 17 of Law 14/2010 regulating the legal regime of banking entities and the basic administrative regime of entities operating in the financial system.

Law on organisational requirements and operating conditions for entities operating within the financial system, investor protection, market abuse and financial collateral arrangements (Llei sobre els requisits organitzatius i les condicions de funcionament de les entitats operatives del sistema financer, la protecció de l'inversor, l'abús de mercat i els acords de garantia financera).

In the session held on 9 May 2013 the General Council approved Law 8/2013 on organisational requirements and operating conditions of entities operating within the financial system, investor protection, market abuse and financial collateral arrangements (Llei sobre els requisits organitzatius i les condicions de funcionament de les entitats operatives del sistema financer, la protecció de l'inversor, l'abús de mercat i els acords de garantia financera).

The purpose of this law is to maintain a structurally and functionally sound financial system, aiming at clarifying the legal framework regulating the financial system prevailing in Andorra. As a result, the provisions of Law 14/2010 and the prevailing provisions of the Law regulating the Andorran financial system dated 27 November 1993 are unified into a single text which incorporates commitments acquired regarding privileged information and market manipulation and abuse into Andorran legislation with the signing of the Monetary Agreement with the European Union.

This law includes the principles set out in Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004, known as MiFID (Markets in Financial Instruments Directive), relating to the rules regarding ethics and conduct to be complied with by investment entities.

The approval of Law 8/2013 implies the repeal of articles 1 to 7, 18 to 44 and 46 to 55 of Law 14/2010 regulating the legal regime of banking entities and the basic administrative regime of entities operating in the financial system; and the repeal of the Law regulating the Andorran financial system of 27 November 1993.

Law regulating the Andorran National Institute of Finance (Llei de l'Institut Nacional Andorrà de Finances)

At the session held on 23 May 2013 the General Council approved Law 10/2013 regulating the Andorran National Institute of Finance (INAF).

The purpose of this law is to provide the INAF with the necessary resources to meet its objectives whilst, taking into consideration the INAF's global scope of operations in a context of international expansion of the Andorran financial system, increasing these resources in line with the global growth of financial markets and pursuant to the commitments Andorra has acquired from signing the Monetary Agreement with the European Union.

The approval of Law 10/2013 implies repealing the following laws: Law 14/2003 regulating the Andorran INAF; article 45 of Law 14/2010 regulating the legal regime of banking entities and the basic administrative regime of entities operating in the financial system; and article 22 of the Law regulating the capital adequacy and liquidity criteria of financial institutions of 29 February 1996, amongst other regulations.

Law governing indirect general taxation (Llei de l'Impost General Indirecte)

In its session held on 21 June 2012 the General Council of the Principality of Andorra approved the Law governing indirect general taxation (IGI) which entered into force on 1 January 2013. This law was subsequently amended by Law 29/2012 of 18 October 2012 and by Law 11/2013 of 23 May 2013, amending Law 11/2012.

This indirect general tax is levied on goods delivered, service rendered and imports made by onerous contract in Andorra by business people or professionals usually or occasionally as part of their economic activity, irrespective of the purpose or the results achieved in the economic activity or in each particular transaction, including the condition of importer. The general tax rate is 4.5%, with a reduced rate of 1% and an increased rate of 9.5%, which is only applied to banking and financial services rendered.

The fifth additional provision to Law 11/2012 governing indirect general tax approved by Law 10/2014 of 3 June 2014 amending Law 11/2012, stipulates a special tax regime for the financial sector to which banks and non-banking specialised credit institutions carrying out activities subject to the increased tax rate stipulated in article 60 of the Law have adhered to . This regime restricts the deduction of input tax to a maximum amount equivalent to 10% of the output tax at a rate of 9.5% for the rendering of bank and financial services. It is not applicable to real estate property.

The settlement period depends on the annual net turnover for all of the activities carried out by the taxpayer in the immediately previous year. Payments can be made half-yearly, quarterly or monthly. Taxpayers have to determine the tax debt in each settlement period, reducing the general indirect tax payable during the period by the general indirect tax installments receivable, which are deductible in nature. Tax payable or receivable from the Andorran Government deriving from the declaration of the aforementioned tax is recognised under Loans and receivables and Current receivables.

The entry into force of Law 11/2012 of 21 June 2012 governing indirect general tax repeals the Law governing indirect taxation on the rendering of banking and financial services of 14 May 2002.

Law applying the agreement between the Principality of Andorra and the European Community on taxation of savings income in the form of interest payments (Llei d'aplicació de l'Acord entre el Principat d'Andorra i la Comunitat Europea en matèria de fiscalitat dels rendiments de l'estalvi en forma de pagament d'interessos)
On 21 February 2005 the General Council of the Principality of Andorra ratified the Agreement between the Principality of Andorra and the European Community in relation to the establishment of measures equivalent to those provided for in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments. The General Council passed the law implementing this Agreement on 13 June 2005.

During the year the Bank, in its capacity as paying agent, has complied with the obligations stipulated in the Agreement and the applicable Law and has settled the withholding amount in accordance with the aforementioned legislation.

Law governing non-resident income tax (Llei de l'Impost sobre la Renda de No Residents Fiscals)
In a session held on 29 December 2010 the General Council of the Principality of Andorra approved the Law governing non-resident income tax. This direct tax is levied on income obtained in the Principality of Andorra by individuals or entities which are non-resident for tax purposes.

The net tax payable is calculated by deducting the deduction for double taxation from the taxable income, determined in accordance with the Law governing non-resident income tax.

Pursuant to Law 94/2010 of 29 December 2010 governing non-resident income tax, amended by Law 18/2011 of 1 December 2011, the tax rate applicable in 2015 stands at 10% for general purposes, 1.5% when income derives from reinsurance operations and 5% when income is received in the form of royalties.

Payments on account of non-resident income tax made by the Bank during 2015 and 2014 are recognized under Other assets - Taxes on the accompanying balance sheet (see note 13).

Law 8/2015 of 2 April 2015 on urgent measures to implement restructuring and resolving mechanisms in banking entities (Llei 8/2015, del 2 d'abril, de mesures urgents per implantar mecanismes de reestructuració i resolució d'entitats bancàries)
In the session held on 2 April, the Principality of Andorra's General Council approved Law 8/2015 of 2 April 2015 on urgent measures to implement restructuring and resolving mechanisms in banking entities.

This law is the Principality of Andorra's response to certain events suggesting that the financial system is closely interconnected and that any crisis in a financial institution could spread rapidly to other banks and to the global economy. Certain measures have been set up to flexibly respond to various situations related to this systemic risk, including the creation of an Agency for the Resolution of Banking Entities (AREB) as the competent authority in the area of resolution. In addition, an Andorran Fund for the Resolution of Banking Entities (FAREB) has been created for the purpose of backing, to the extent possible, the measures agreed when applying the aforementioned law. The FAREB is an entity without legal personality managed by the AREB.

The wording and drafting of this Law have been inspired by the principles of Directive (EU) No 2014/59.

Finally, the law stipulates an initial and extraordinary contribution to the FAREB of EUR 30 million by Andorran banking entities and the opening of a financing program of up to EUR 100 million to finance companies and businesses.

23. Corporate Citizenship or Similar Activities

The Group does not have any legal or statutory obligations relating to corporate citizenship. However, the Group has always been characterized by a strong social commitment and a strong desire to work towards the general interest to improve the country's economic and social progress.

24. Events After the Reporting Period

Subsequent to 2015 year-end no significant events have arisen with an impact on the financial statements for the year.

6.

RISK MANAGEMENT

Risk Management

The control and management of risk is a key element in the management of the Andbank Group. The main risks to which the Group is exposed in the conduct of its activities are as follows:

- Interest rate risk
- Exchange rate risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk
- Reputational risk

Overall responsibility for the monitoring and control of risk is assigned to the Chief Risk Officer (CRO), who supervises the following departments: Credit Risk, which manages and monitors customer credit risk; Middle Office, which supervises interest rate, exchange rate, market, counterparty, country and liquidity risk; Controller Europe and Controller LatAm, which control the activity of the international subsidiaries to ensure that they operate within the established regulatory framework and comply with the requirements established by the supervisor in each jurisdiction; and Operational Risk, which oversees the Bank's operational risks. Additionally, since risk control is an enterprise-level function, the persons responsible for risk control in each Group entity report functionally to the CRO, who supervises their activity and ensures not only that local requirements are met but also that consistent control standards are applied across the Group.

The Internal Audit Department also carries out periodic assessments of the abovementioned risks in order to detect non-compliance or unauthorized risk taking and propose corrective measures where the non-compliance has not been detected and reported by the persons responsible for ongoing risk control.

The risk control framework comprises a qualitative component, associated with the definition of policies and responsibilities, and a quantitative component, based on the setting of limits. The Group takes a prudent approach to risk management, in which risk taking is linked to the exercise of the business activities of the commercial banking, private banking and asset management units. The management and control of the Group's risks follow the principles stated below:

- Clear assignment of responsibilities to the units involved in risk control.
- Allocation of the necessary human and technical resources, so that the risk management and control functions can be performed effectively.
- Appropriate internal control systems.
- Transparency in the information provided about risks taken

Policy making, limit setting and risk oversight are the responsibility of the Asset/Liability Risk Committee (ALRCO), to which the Board of Directors has delegated this function. The policies and limits defined by the ALRCO are therefore submitted to the Board of Directors for ratification. The risk limits are also reviewed from time to time, so that they can be adapted to the economic and market situation, and are submitted to the Board of Directors for approval at least once a year. During 2015 the framework of country and counterparty risk limits was submitted to the Board of Directors for approval on two occasions.

The factors taken into consideration in assigning country risk limits include relatively static ones, such as a country's membership of international bodies (EU, OECD) or credit rating, and dynamic factors (market variables), such as a country's credit default swap spread. The risk limits assigned to financial institutions are determined on the basis of factors such as credit rating and Tier 1 capital, as well as market indicators, specifically the credit default swap rate. This method allows the Bank to maintain stable risk exposures to countries and counterparties with good credit quality and to quickly readjust exposure to countries and counterparties whose credit quality has deteriorated.

As the body responsible for the management of interest rate, exchange rate, country, counterparty, liquidity and market risk, the ALRCO meets once a month. The ALRCO is also responsible for balance sheet management and capital management, with the objective of maintaining a high level of solvency in the Group. The ALRCO has delegated the task of supervising these risks to the Middle Office.

Responsibility for ensuring that the asset management business is conducted in accordance with the established legal and regulatory framework, and for assessing its results and risks is assigned to the Asset Management Control Committee, which meets once a month. This committee has delegated the task of monitoring the asset management activity to the Middle Office. Apart from checking that the investment funds and portfolios comply with the regulatory framework, the Middle Office also assesses compliance with the established investment policy and periodically monitors the measures of risk and return.

In recent years, the Andbank Group has adapted its risk management to take account of the events associated with the European financial crisis, in particular the tensions in the market for peripheral sovereign debt, with periodic reviews of the risk limits set in order to reduce exposure to countries and counterparties that have experienced rating downgrades and increases in their credit default swap spread. This dynamic management of counterparty risk and a prudent approach to risk taking have allowed the Bank to maintain a moderate level of risk throughout the financial crisis, in line with the Group's risk policy.

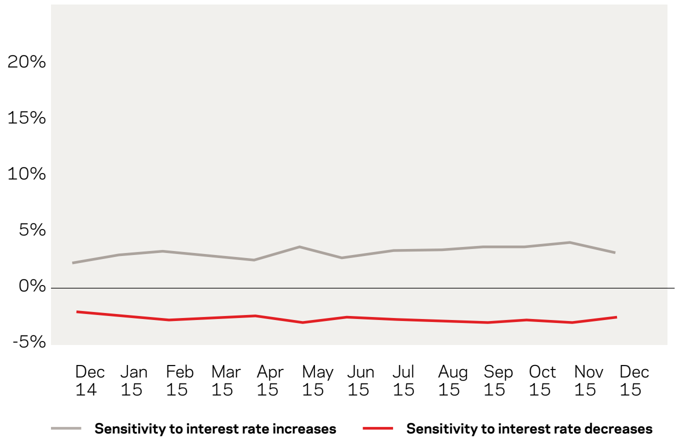
The Group's risk management objectives for 2015 are centered on consolidating the new systems put in place for monitoring risks, especially the market risks associated with transactions carried out in the financial markets, while preserving the necessary flexibility to meet the challenges arising from any new activities undertaken and take appropriate and timely action to maintain the desired risk profile.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will have an adverse impact on the market value of the Group's assets and liabilities. The Group measures this impact in terms of the sensitivity of net interest income over a one-year horizon to 10 basis point parallel shifts in the yield curve for the main balance sheet currencies and the sensitivity of the market value of equity to 100 basis point parallel shifts in the yield curve.

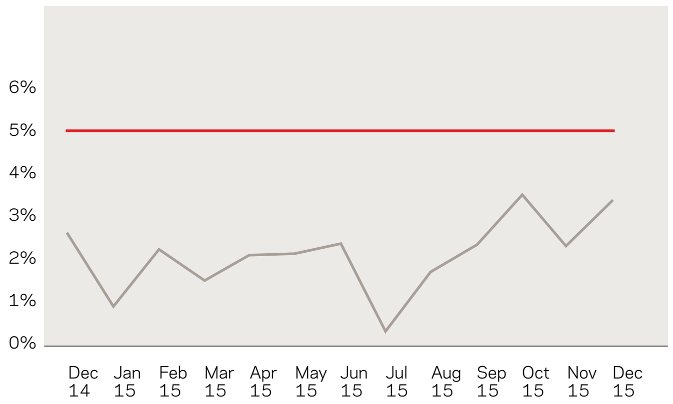
In the historically low interest rate environment that has prevailed in recent years, the Group maintains a positive exposure to yield curve shifts. That is to say, the Group's net interest income would increase if interest rates rose and decrease if they fell, although at current levels the sensitivity is asymmetrical, in that the positive sensitivity is much greater than the negative sensitivity. The repricing gap of interest-rate-sensitive balance sheet assets and liabilities is therefore positive, i.e., the repricing of assets generally precedes the repricing of liabilities. This positioning is reflected in very short-term interbank lending and the holding of a bond portfolio invested mainly in bonds whose return is linked to 3 or 6-month EURIBOR and short and medium-term fixed-rate bonds, although part of the portfolio is made up of long-dated fixed-rate bonds, which generate additional margin and increase the duration of the balance sheet assets. A large part of these bonds are financed in the market with fixed-rate repos, so as to cover the duration risk. During 2015, the Bank also entered into futures contracts to temporarily hedge the interest rate risk of fixed-rate bonds in the trading portfolio and interest rate swaps to hedge the duration risk of the medium and long-term bonds in the available-for-sale and held-to-maturity portfolios.

Net interest income sensitivity at one year



The limit on the sensitivity of equity to a 100 basis point parallel shift in the yield curve was set by the Board of Directors at 5%. Throughout 2015, the sensitivity of equity was positive, as a consequence of the interest rate strategy adopted and the balance sheet positioning, but was kept below this limit at all times.

Equity sensitivity



Exchange rate risk

Exchange rate risk is the risk that movements in exchange rates will have an adverse impact on the market value of the Group's assets and liabilities denominated in currencies other than the euro. Spot and forward currency transactions are monitored daily to ensure that the open currency position remains within the authorized limits.

At year-end, the overall open position was -0.084 million EUR, while the overall limit for the net open position in foreign currency was 6 million EUR. The largest net short position during the year was -2.146 million EUR and the largest net long position was 0.716 million EUR.
The Group also has currency positions on the balance sheet from its interests in subsidiaries denominated in currencies other than the euro. These positions are supervised, monitored and hedged as necessary.

Market risk

Market risk is the risk that changes in market conditions, such as asset prices, interest rates, market volatility and market liquidity will cause losses in the trading portfolio. The Group manages market risk in the trading portfolio using value at risk (VaR) as a risk measure, this being the general market standard, together with stress testing of the held-to-maturity portfolio.
VaR is calculated using the historical method. The result of this calculation is the maximum expected loss over a given time horizon at a given level of confidence. The Group calculates VaR for a time horizon of one day with a confidence level of 99%, using an historical period of one year. The average VaR calculated for the trading portfolio during 2015 was 457,000 EUR, with a maximum of 674,000 EUR and a minimum of 204,000 EUR, while the average trading position was 303 million EUR. Generally speaking, the trading portfolio is made up of high quality bonds with a very short duration, which results in a very low VaR.

Trading portfolio

Month	VaR(*)	Average Monthly Volume(*)
January 2015	0.59	330
February 2015	0.65	314
March 2015	0.67	99
April 2015	0.58	261
May 2015	0.44	260
June 2015	0.57	273
July 2015	0.47	298
August 2015	0.40	236
September 2015	0.33	278
October 2015	0.33	361
November 2015	0.20	320
December 2015	0.39	609

(*)Figures in millions of EUR

The Group stress-tests its held-to-maturity portfolio to assess the expected loss of the portfolio in extreme situations marked by abrupt increases in the yield curve or widening of credit spreads. These tests use simulations to predict how the market value of the portfolio assets is likely to change in different scenarios.

Seven scenarios are analyzed, of which four are historical (2010 Greek crisis, 2008 Lehman Brothers bankruptcy, 2001 terrorist attacks on the Twin Towers and 1998 Russian debt crisis) and three are hypothetical (steepening of the yield curve, general widening of credit spreads, and steepening of the yield curve in conjunction with a widening of credit spreads).

The most adverse scenario is selected and the impact it would have on the portfolio is measured. In the case of Andbank's held-to-maturity portfolio, the most adverse scenario is the 1998 Russian debt crisis. The following table shows the monthly impact on the change in portfolio value:

Month	Change of value	Average Monthly Volume(*)
January 2015	-3.99%	478
February 2015	-3.35%	568
March 2015	-3.52%	522
April 2015	-2.51%	541
May 2015	-2.18%	552
June 2015	-2.09%	605
July 2015	-2.07%	641
August 2015	-2.20%	635
September 2015	-2.17%	631
October 2015	-2.71%	632
November 2015	-2.73%	629
December 2015	-3.70%	558

(*)Figures in millions of EUR

Credit risk

Credit risk is the risk that a counterparty will default on its obligations, resulting in a loss to the Group. The Group's credit risk exposure comprises:

- The risk of default arising from ordinary treasury operations, which basically include interbank lending, securities lending and borrowing, repos and OTC derivative transactions.
- The risk of default by the issuers of bonds used for the Group's proprietary trading activities.
- The risk of default in the loan portfolio.

The Group takes a prudent approach in assigning limits and authorizes exposure only to countries with a good credit rating and, within these countries, only to financial institutions that have moderate credit risk. The risk limits are approved by the Board of Directors at annual intervals.

Stricter limits are assigned to counterparties that have not posted collateral. In such cases, the counterparty is required to have high credit quality, based on the ratings assigned by the main agencies (Moody's, Fitch and S&P), and must be considered a relatively moderate credit risk by the market, as reflected in the level of 5-year CDS prices compared to a benchmark. Observation of the market variable allows any change in the counterparty's credit quality to be more swiftly included in the model.

To reduce its risk exposure, the Group uses securities as collateral in various types of transactions, mainly OTC derivative transactions, repos and securities lending and borrowing. Derivative exposures to counterparties where an ISDA Master Agreement is in place are netted. During 2015, Andbank entered into ISDA, CSA and GMRA agreements with new counterparties, allowing it to diversify the counterparties with which it enters into derivatives transactions and, at the same time, limit its exposure to counterparty risk. The Group also takes a very active approach to collateral management, monitoring exposures under the aforementioned agreements on a daily basis and making margin calls to counterparties to which there is a risk exposure that needs to be mitigated. During 2015, the Group's fixed-income portfolio was directed to high quality assets, with 81% invested in sovereigns, GGBs and government agencies. As regards country concentration, the portfolio is diversified mainly in government debt securities of the United States, Germany, France, the Netherlands, Spain and Italy. Following the 2014 corporate decision to invest in U.S. sovereign risk (AAA rating), part of the portfolio continued to be held with this exposure in 2015, taking into account the spreads over U.S. interest rates and with the aim of taking advantage of the USD cash flows from the balance sheet liabilities.

The fixed-income portfolio is thus made up of securities in which the Group has a direct exposure to the issuer or guarantor, the great majority of which have an investment grade rating; and bonds that hedge the risk of customers' structured deposits, which the Group holds on its balance sheet even though the risk has been transferred to the customers. Below is a breakdown of the fixed-income portfolio by issuer credit rating (in thousands of EUR):

Fixed-income portfolio

Rating	With exposure to the risk of the issuer or guarantor	With risk transfer to customers	Total
AAA	533,094	0	533,094
AA+ to a AA-	313,806	0	313,806
A+ to a A-	46,474	0	46,474
BBB+ to a BBB-	539,562	9,980	549,541
Investment grade	**1,432,935**	**9,980**	**1,442,915**
BB+ to a BB-	56,598	15,367	71,965
B+	15,659	4,445	20,104
Speculative grade	**72,257**	**19,812**	**92,069**
Total	**1,505,192**	**29,792**	**1,534,984**

As regards the credit risk exposure arising from loans to customers, the Group has loans and receivables totalling 1,923 million EUR, mainly in credit lines and loans, especially mortgage loans (771 million EUR) and loans with collateral (733 million EUR).

The main elements of credit risk management are the credit approval policies and authorities, the monitoring of exposures and supervision by committees (Non-Performing Loans Committee and Board Risk Committee). Credit risk concentrations are reviewed weekly to check that they remain within the parameters specified by the supervisor, setting maximum borrowing levels for certain customer groups. Responsibility for monitoring and managing customer credit risk belongs to the Credit Risk Department.

Non-performing loans (NPLs) are monitored on a product-by-product basis, with a view to adjusting approval policies and loan authorities accordingly. Credit approval decisions are transaction-specific. Risk monitoring is based on an analysis of qualitative and quantitative variables, which are adapted to the supervisor's requirements. The Group's NPL ratio is 3.23%, which is below the average for financial institutions in neighboring countries. During 2015 the Group maintained a conservative provisioning policy and the NPL coverage ratio increased from 67.68% to 68.96%. Moreover, 8.3 million EUR of fully provisioned non-performing loans were returned to current status during the year.

General risk policy criteria have been established at the Bank in order to maintain a healthy loan portfolio and control risk exposure. These criteria are embedded in the Bank's corporate culture and are aligned with its overall objectives, the basic principles being to optimize quality, diversify risk and take advantage of the market situation at any given time.

Policies are in place for the acquisition of credit proposals, the analysis and execution of credit transactions and the management of credit risk throughout the credit life cycle (approval, monitoring and recovery).

The risk policy is implemented through a structure of authorities, responsibilities and delegated decision making.

Approval policy:
To ensure that transactions comply with risk standards, the following procedure is implemented:
- Acquisition channels: the sales network (branch network).
- Documentation: ensure that documentary support is available for the analysis and final decision on each credit proposal.
- Analysis: based on the documentation, the transaction and the borrower's creditworthiness and ability to repay are analyzed.
- Sdar proposal: computer application used to present the proposed transaction for assessment and approval.
- Approval: depending on the body that has the authority to approve or reject the credit proposal.
- Origination and accounting: the loan is created and recorded using the Sdar application.

Monitoring policy:
Procedures are in place for the supervision of authorized risk in the event of missed installments/ limit excesses/ overdrafts and for the monitoring of collateral, loss of value of loan security, derivatives transactions and exchange insurance.

Recovery policy:
Loans that are in arrears or in a litigation or pre-litigation phase are reviewed systematically and steps are taken to investigate and analyze the debtors and bring them back to current status.

Liquidity risk

Liquidity risk is the risk that the Group will at some time be unable to meet payment obligations arising from the maturing of deposits, the drawing of committed credit lines or margin calls on collateralized borrowings, among other things.

The ALRCO manages liquidity risk with the aim of ensuring that sufficient liquidity is available at all times to settle liabilities as they fall due, while sufficient cash is kept on hand to be able to take advantage of investment opportunities.

Liquidity is managed by analyzing the maturity of balance sheet assets and liabilities. The bank uses computer tools to match the maturities of assets and liabilities and so analyze future cash flows and detect possible funding gaps.

Most of the Group's funds come from customer deposits, although the interbank market is also an important source of funding, mainly through repo transactions.

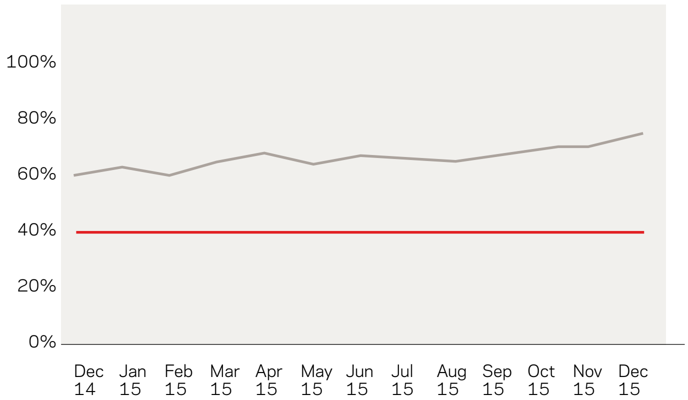
The following table shows the assets and liabilities classified by maturity. For certain items, such as current accounts, it is assumed that part of the balance has no maturity, given historical experience and the stability of these items in the balance sheet.

	Less than three months	Between three and six months	Between six months and one year	Between one and five years	Between five and ten years	More than ten years	Total
Total Loans	423	114	277	511	175	317	1,817
Interbank Deposits	802	0	232	0	0	-4	1,030
Investment Portfolio	189	67	305	382	369	334	1,646
Other Assets	0	0	0	0	0	571	571
Total Assets	**1,414**	**181**	**814**	**894**	**544**	**1,271**	**5,064**
Creditors	539	410	1,029	292	15	1,350	3,634
Interbank Deposits	327	0	-4	49	109	0	481
Debts Repr. by Securities	0	0	0	0	0	50	50
Other Liabilities	0	0	0	0	0	898	898
Total Liabilities	**866**	**410**	**1,025**	**341**	**123**	**2,298**	**5,064**
SIMPLE GAP	**548**	**-229**	**-211**	**553**	**421**	**-1,081**	**0**
CUMULATIVE GAP	**548**	**318**	**108**	**660**	**1,081**	**0**	

The Middle Office supervises the liquidity position daily to ensure that it remains above the minimum liquidity level set by the ALRCO. This minimum level currently stands at 350 million EUR of cash available within one day and an additional 500 million EUR of cash and highly liquid investments maturing within one year. Middle Office supervision includes daily monitoring of positions to be financed through repos and the portfolio of liquid assets.

The liquidity ratio established by the INAF, the Andorran banking supervisor, is calculated monthly. The minimum liquidity ratio, i.e., liquid assets as a percentage of current liabilities, has been set at 40%, which means that the Bank must hold cash or assets readily convertible into cash to meet 40% of all the funding it has received. The Group's average liquidity ratio during 2015 was 67.72% and the ratio at year-end was 76.60%.

Liquidity ratio



To comply with international standards, the Andbank Group calculates and monitors the Liquidity Coverage Ratio (LCR). As defined by the Basel Committee on Banking Supervision (BCBS), the LCR requires banks to hold sufficient high quality liquid assets to cover total net cash outflows over 30 days. The phase-in schedule is as follows:

	2015	2016	2017	2018	2019
Minimum LCR	60%	70%	80%	90%	100%
Andbank LCR	200%				

At year-end 2015, the Andbank Group has an LCR of 200%, amply complying with the regulatory limit.

Since the start of the international financial crisis the Group has prepared a monthly liquidity contingency plan, which contains an assessment of contingent liquidity, assuming different levels of conversion of liquid assets into cash and the available funding sources, taking the cost at which the liquidity could be generated into account. The assets that can be converted into cash and the manageable sources of liquidity are ranked, so as to give priority to the use of liquidity sources that have a low impact on the income statement and postpone the use of liquidity sources that have a high negative impact on the income statement. In addition, potential outflows of liquidity, whether resulting from customer activity or activity in the financial markets, are identified and classified as either probable or improbable, based on likelihood of occurrence. Finally, the liquidity that could be generated is compared with the potential outflows to check that the surplus is above the approved minimum liquidity level.

Operational risk

Operational risk is the risk of losses arising from inadequate or failed internal processes, people and systems or from external events. The Group considers operational risk as a risk category that requires the same comprehensive management as other categories of banking risks such as credit risk or market risk. Accordingly, the Group has established a continuous operational risk management process, which is carried out in four stages:

- Identification of the operational risks to which each Group entity is exposed and recording of any operational events that have resulted in unexpected losses or gains.
- Assessment and measurement of the potential and actual impact of operational risks and the probability of future occurrence.
- Monitoring of the risks that have been identified.
- Control and mitigation of risks through the adoption of action plans aimed at improving operational risk management processes and controls.

Operational risk management is the responsibility of the Risk Control and Monitoring Area. This area keeps a database of operational incidents, which it analyses in order to propose corrective measures to senior management.

Having an efficient internal control system adds value to the Group, insofar as it makes it possible to improve Group management and thus ensure the effectiveness of business processes and facilitate compliance with applicable laws and regulations in each country in which the Group is present.

Reputational risk

The Andbank Group defines reputational risk as the risk that the Bank's various stakeholders will gain a negative perception of the Bank, which could have an adverse impact on the businesses' results or growth prospects. Reputational risk relates to legal, economic, financial, ethical, social and environmental issues, among others.
Various departments of the Group are involved in managing reputational risk, including: Regulatory Compliance, Legal, Internal Audit, Quality and Middle Office.

Regulatory compliance

Compliance with applicable laws and regulations on the prevention of money laundering and the provision of investment services is a non-negotiable objective for our Bank. Andbank has therefore taken various steps to manage regulatory compliance and reputational risk. Regulatory compliance risk is the risk that the Bank will face penalties, financial or material losses or loss of reputation as a result of non-compliance with applicable laws and regulations or the Bank's own internal procedures. It is therefore closely linked to reputational risk, which is the risk that the general public or stakeholders (customers, counterparties, employees, regulators) will gain a negative perception of the Andbank Group as a result of improper conduct by the Bank in the pursuit of its activities.

Andbank considers its public image its most valuable asset for retaining the trust of customers, regulators, shareholders and investors. Andbank has a Compliance area staffed by professionals specialised in each jurisdiction in which the Group has a presence, whose function is aligned with the Bank's strategic objectives.

The main pillars supporting Andbank's implementation of regulatory compliance and reputational risk management are as follows:

- Ethics Code and Rules of Conduct.
- Anti-Money Laundering and Anti-Terrorist Financing.
- Investor protection
- Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)
- Knowledge management and training
- Incident and complaints management

Pillar 1: Rules of Ethics and Conduct

Andbank takes steps to promote ethical conduct by all Group employees. For Andbank, the customer is the focus of the Bank's activity and no business can be accepted if it is likely to generate reputational risk.

The Bank has an Ethics Code that prescribes minimum standards of behavior to which all employees must adhere. The Ethics Code is binding on all the Bank's employees and managers, who are expected to act responsibly in the performance of their duties.

Pillar 2: Anti-Money Laundering and Anti-Terrorist Financing

Andbank undertakes to actively combat money laundering, terrorist financing and other types of financial crime. Effective implementation of "Know Your Customer" (KYC) procedures and rules are fundamental for the Group.

KYC means knowing the people and entities with which the Bank does business (whether a simple transaction or a long-term business relationship) or to which it offers services. It also means knowing the final beneficiaries and related parties. KYC is an ongoing process that starts with customer acceptance and continues throughout the business relationship.

In private banking, the Andbank Group has a global anti-money laundering model based on European Union guidelines, adapted as necessary to the peculiarities of each subsidiary's business activity and local regulations. Andbank's anti-money laundering and anti-terrorist financing model is constantly evolving as it adapts to regulatory changes.

Pillar 3: Investor protection

The bank's commitment to its customers has two fundamental dimensions: long-term value creation and the greatest possible information transparency. The Bank has implemented procedures to ensure compliance with regulatory requirements in the jurisdictions in which it operates. It also has global policies in place, which are adapted to the peculiarities of each jurisdiction.

To mitigate regulatory compliance and reputational risk, Andbank:

- Has an organizational structure that is oriented towards the management of risk and conflicts of interest.
- Allocates compliance roles and responsibilities within the organization.
- Has transparent policies and procedures available to customers.
- Reinforces the rules of conduct to enhance investor protection.
- Sells financial products on the basis of a clear categorization of services, customer types and products.

By this means the Bank aims to achieve:

- Financial services that are appropriate to its customers' needs.
- A transparent, two-way relationship, with rights and obligations on both sides.
- Fair resolution of customer complaints.

Pillar 4: FATCA / CRS

Andbank considers all FATCA and CRS-related matters to be of great operational and strategic importance. The Compliance Department has been working on the Bank's adaptation to FATCA/CRS requirements, defining two specific programs, which include:

- An appropriate governance structure.
- A series of global and local policies.
- Customer acceptance and monitoring procedures.
- Reports to the different regulators.

Pillar 5. Knowledge management and training

Training actions are a priority for the Bank to ensure that all employees know the applicable legal and regulatory requirements and the procedures put in place by the Bank.

Each year, for each jurisdiction, the Group defines the necessary training plans, with training being given by the Group itself or by outside consultants. Spreading a compliance culture throughout the organization is a prerequisite for proper management of regulatory compliance risk.

Pillar 6. Incident and complaint management

The Bank puts customers' best interests first at all times, so customers' opinions and complaints are taken very seriously. The Quality Department has developed an incident management system to handle all complaints submitted to the Bank by customers through the various relationship channels. The department's goal is to achieve swift incident resolution.

Capital management

The goal of capital management is not only to preserve sufficient capital to support current and future business activities and meet supervisory requirements but also to position Andbank as one of the strongest financial institutions. The Group's financial strength inspires confidence and a sense of security in customers, the financial institutions Andbank deals with and stakeholders in general.

At the end of the year, the Group's solvency ratio was 20.72%, 100% above the minimum level required by the supervisor, which is 10%, and above the peer ratio, which is the average solvency ratio of European financial institutions. Adjusted capital was 346.89 million EUR and the Group had a capital surplus of 179.46 million EUR.

The new capital rules under the BCBS's 2010 capital framework started to apply from 1 January 2013. From 1 January 2014, banks were required to maintain a Common Equity Tier 1 (CET1) ratio of at least 4.0%, which increased to a minimum of 4.5% from 1 January 2015. Similarly, the minimum Tier 1 Capital ratio was set at 5.5% from 1 January 2014, increasing to 6.0% from 1 January 2015. At the same time, during this transitional period the minimum Total Capital ratio (including Common Equity Tier 1, Additional Tier 1 and Tier 2 capital) remained unchanged at 8%.

In addition, banks must maintain a capital conservation buffer of 2.5% and, depending on circumstances, a countercyclical capital buffer of up to 2.5% and a systemic risk capital buffer of up to 3.5%, all of which are to be phased in gradually over the period to 2019. Consequently, from 1 January 2019 the minimum Total Capital ratio will be 10.5%.

In this more stringent regulatory environment, in anticipation of the new minimum capital requirements, the Andbank Group is in a strong solvency position, with the following capital ratios:

- Common Equity Tier 1 ratio of 11.63%.
- Tier 1 Capital ratio of 13.75%.
- Total Capital ratio of 14.19%.

Leverage ratio

The new leverage rules included in the BCBS's 2010 capital framework, aimed at improving banks' capacity to absorb losses, came into effect from 1 January 2013. Since that date a minimum leverage ratio of 3% has been required, with the aim of restricting the build-up of leverage in the banking sector and reinforcing the risk-based capital requirements with a complementary non-risk-based measure.
In this regulatory framework, the Andbank Group is in a strong position, with a leverage ratio of 6.4% at year-end 2015.

7.

SOCIAL RESPONSIBILITY REPORT 2015

Corporate Social Responsibility Report 2015

Introduction

Corporate social responsibility is a key part of Andbank Group's culture, which is founded on the principles of our mission as a bank, our vision as a company and the corporate values that define us as an organization that seeks to create value for our stakeholders, with procedures and a management approach based on service excellence.

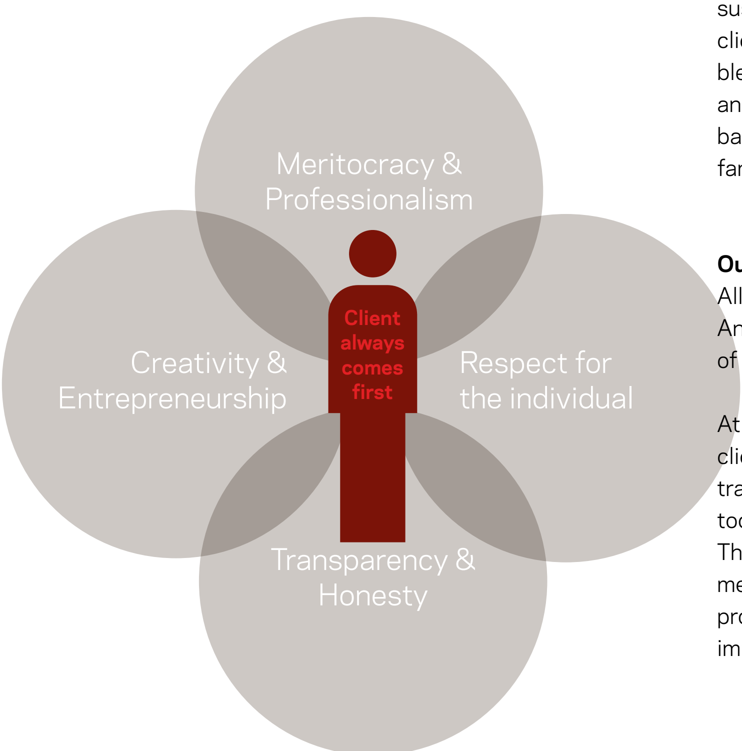
As a financial institution, we strive to be socially responsible with the necessary ethical standards and consistency. We understand that we must take into account the three pillars of sustainability (economic, social and environmental progress) in all of our business decisions and actions, believing that a company's primary responsibility is to create wealth honestly and sustainably.

Andbank's commitment requires a very direct and attentive relationship with all of the people in the company and needs consensus among all parties. It also involves innovative communication policies that encourage contact and participation in decision making across every area of the firm in order to promote the sharing of responsibility between the various levels of the organization and trust in Andorra's business sector. By maintaining this relationship and involvement with society in general, and Andorra in particular, the bank always seeks the most appropriate way to add value for its members. Andbank therefore strives to integrate corporate social responsibility into every aspect of managing the company and its environment.

Andbank's strategic plan is founded on four pillars: to create a sustainable growth model; to search for the best solutions for our clients and to protect them; strict compliance with the applicable legislation in each of the countries where the bank operates; and training a team of experts and professionals from each of the bank's areas. This plan underpins our goal of becoming a leading family-owned independent private bank.

Our Values
All of the initiatives for managing our talent are based on the Andbank Values that infuse our culture and run through the DNA of our organization.

At Andbank we promote a culture that has our commitment to the client at its core, providing the best advice and service through transparency and honesty, creativity and entrepreneurship, meritocracy and professionalism, and respect for the individual.
This culture also creates opportunities for growth and development of Andbank's team of professionals, both personally and professionally, as well as encouraging and recognizing continuous improvement.

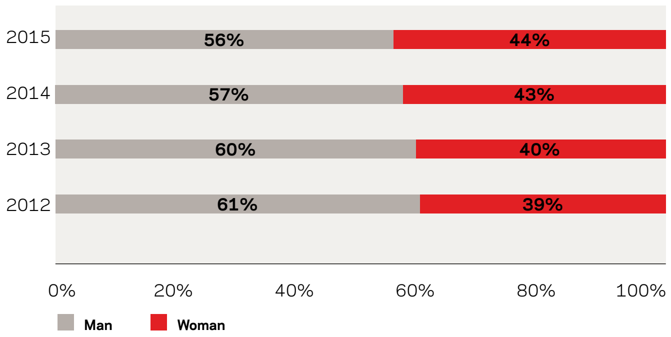


▪ Clients always comes first
Always committed to providing the client with the best service and advice.
▪ Respect for the individual
Our personal and professional relationships are based on trust and mutual respect. We encourage recognition, moral integrity and respect for others.
▪ Meritocracy and professionalism
Professional development and promotion are based on merit and professional contribution.
▪ Creativity and entrepreneurial spirit
We admire people that provide new ideas to improve products, processes and services. We value professionals that can propose ideas for offering better services and new opportunities to our clients.
▪ Transparency and honesty
We expect our employees to conduct themselves honestly, sincerely and with integrity.

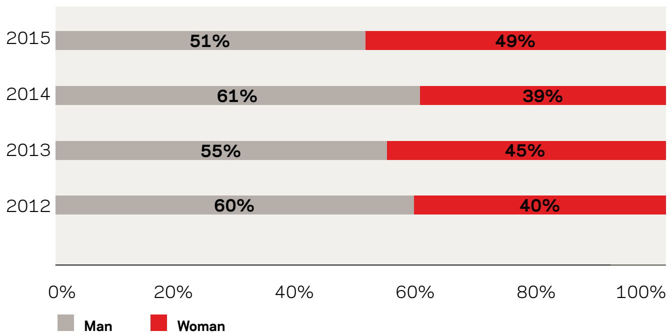
The Andbank team

Despite the current economic outlook, Andbank has continually strived to create jobs. In 2015 the number of Group employees increased by 16% compared to the previous year, fulfilling the goal of simultaneously and proportionately developing the business and its workforce.

Employee distribution by gender. Andorra



Employee distribution by gender. Subsidiaries



Figures at 31.12.2015

Of the total, 404 employees work at the company's headquarters in Andorra while 777 employees work in the Group's various international subsidiaries.

Characteristics of the Andbank team
Diversity is another trait of the Andbank team and the Group's employees currently span 33 different nationalities.
The highly trained, professional and resourceful nature of the workforce belies the average employee age of 42. In terms of professional qualifications, more than 65% of Andbank Group employees hold university-level qualifications.

Employee distribution by education level (Andorra and subsidiaries)

69.81%
University level

27.29%
Vocational level

2.90%
Basic level

Figures at 31.12.2015

Andbank and internal promotion
Andbank continued its policy of promoting from within during 2015. The growth of the Group creates opportunities for its employees to develop and grow professionally. A total of 29 promotions were made during the year, of which 21 were horizontal and eight hierarchical.

21
Total horizontal promotions

8
Total hierarchical promotions

14
International secondments

55%
Total promotions (men)

45%
Total promotions (women)

Andbank Performance, the new performance appraisal and development system

Andbank's commitment to service quality, professionalism and the development of its employees is highlighted through these types of initiatives.

We know that achieving the objectives defined in Andbank's strategy relies on people. We therefore believe that this is one of the systems that will enable us to steer the organization's performance, identifying the skills that we consider essential to achieving our mission and objectives, driving improvements in people's future actions and the bank's results.

Performance appraisals and development can be the "Achilles heel" of talent management. A system such as this can help us to become a high performing team and to tackle and achieve all of the challenges that lie ahead, especially considering the transformative times that we are going through, not only globally at Andbank, but also in our environment, context and sector.

Andbank Performance is an extremely important system for our managers and every member of the team. It is a unique opportunity that enables us to commit and align ourselves, provide feedback, and to listen to opinions, expectations and comments. Consequently, and no less important, this system allows us to define the most appropriate development actions such as mobility, training or development in the workplace, which are then implemented through development and career plans.

The main characteristics of Andbank Performance are:

- The system is based on a global, flexible and simple technology platform.
- The system helps to evaluate the potential of the team, management potential and performance, and then associates a development and improvement plan.
- Eight different competence profiles are identified within the categories of Managers, Private Bankers and Technicians.
- The system contains a total of 29 defined competences and four different performance levels.
- A training plan is linked for the management team.

The new appraisal model was implemented during 2015 at the Andorra headquarters and the main Andbank Group subsidiaries. Consequently, more than 70% of Andbank's employees have received an annual performance appraisal.

Development of talent and organizational skills

Andbank's people are a central pillar and its principal asset. Motivated, trained and committed people are a key factor in delivering good customer service and business strategy success.

Constantly updating our employees' professional knowledge encourages them to develop their skills and professional careers, as well as ensuring the best possible customer service.

The Andbank training program consists of various options, from programs with a global scope through to specialist programs for specific groups/countries that may be mandatory or optional, given in classrooms, online or a combination of the two.

New training plans and programs were developed in 2015 to offer the Andbank team new opportunities to develop their professional careers.

Campus Andbank

An e-learning platform called Campus Andbank facilitates access to training and its management. In addition to its global scope for key training aspects, the application has a collaborative 2.0 learning environment that concentrates the collective knowledge of Andbank's employees and offers a space for sharing proprietary documentation and good practices. Andbank Campus seeks to:

- Standardize technical and business knowledge at a global level.
- Encourage training at every level.
- Promote the use of new online tools such as the knowledge management application.
- Professionalize and strengthen in-house talent through ad hoc designed programs.
- Improve the learning and communication experience among employees through new functionalities.

Six different programs were launched in 2015 via Andbank Campus to serve the needs of each employee:

- Welcome to Andbank.
- In-house Training.
- Business and Financial Sector.
- General and Commercial Skills.
- Languages.
- IT skills.

Key figures from Campus Andbank in 2015:

- 29 courses available (7 in-house and 22 external).
- Voluntary and obligatory courses for different groups.
- Campus available in two languages (Spanish and English).
- All employees have access to the Campus.
- More than 75% of employees carried out some type of training action via the Campus during the year.

Andbank Trainee Program

Andbank offers students the opportunity to carry out summer internships so that they learn and gain experience of different projects through the Andbank Trainee Program. This work experience can involve any department of the bank or its subsidiaries. Andbank assigns specific mentors to the trainees that specialize in each area.

The young people that gain practical work experience through the Andbank Trainee Program are able to go on to complete their education with an enhanced CV for when they start their employment search.

A total of 26 young students joined the Andbank Trainee Program in the summer of 2015 working in the Corporate Services Department in Andorra and the subsidiaries of Andbank Luxembourg, Andbank Spain and Andbank Brazil. Their work experience covered diverse areas including marketing, legal department, help desk, treasury, real estate, corporate development, back office and the banking offices in Andorra.

Of the 26 trainees, 54% were children of Andbank employees. Following the selection process, 88% of candidates that were children of employees were offered a place.

Work-life balance

Having a team of satisfied employees that are proud to work at Andbank is one of the bank's main objectives. Andbank offers its employees a series of benefits as part of the policies designed to improve the balance between personal and professional lives, the organization of their work and professional growth.

Andbank currently offers a total of 20 measures including flexible working hours; special conditions for Andbank financing, services and products; health insurance; and training and promotion plans, among others.

Andbank and its clients

Our clients are at the heart of our financial activities and are the lifeblood of our business. We must therefore safeguard their interests and satisfy their most pressing needs. To achieve this, our managers and specialists continually search for the best products for the best solutions.

Improvements to protect our clients

1. Investor protection

The bank's commitment to its clients has two key aspects – the creation of long-term value and maximum information transparency. The bank has put in place procedures to ensure compliance with the requirements of the different regulations in the jurisdictions in which it operates. Global policies have also been established, adapted to the individual characteristics of each jurisdiction.

Andbank's model to mitigate compliance and reputation risk takes the following into account:

- An organizational structure designed to manage risk and conflicts of interest.
- Assignment of duties and responsibilities within the organization.
- More transparent policies and procedures for clients.
- Enhanced rules of conduct for better investor protection.
- A financial product distribution procedure based on the classification of services, clients and the products offered.

The bank therefore ensures that it has:

- Financial services that are appropriate for clients' needs.
- A transparent bilateral relationship with rights and obligations for both parties.
- Fair resolution to client complaints.

2. Incidents and complaints

The bank prioritizes the client's best interests at all times and we listen very carefully to the opinions or potential complaints from our clients. An incident management model has been developed to achieve this goal, which is used by the Quality Department to channel all disagreements that clients may make via the bank's different relationship channels. The department seeks to quickly resolve every incident.

3. Ethical standards and rules of conduct

Andbank takes measures to promote ethical conduct by all Group employees. The bank understands that the client is its priority and any activity that could compromise its reputation is forbidden.

The bank has a code of ethics that sets the minimum standards for conduct required from all employees. The code applies to all bank employees and managers, who must conduct themselves responsibly in the performance of their duties.

Sustainable products

A diverse range of products and services has been developed encompassing the Group's CSR values:

Andbank Microfinance Fund

Andbank launched a fixed income fund that invests in micro-loans in developing countries. The Andbank Microfinance Fund was developed in collaboration with Blue Orchard and has a dual philanthropic purpose. In addition to investing in a social-impact activity, such as micro-loans for entrepreneurs in developing countries, 80% of the profits from the fund are donated to projects run by NGOs selected by the investors, while the remaining 20% is divided among unitholders.

The product comes under the umbrella of the Blue Orchard Microfinance Fund (BOMF), a fixed income fund that has been running for 15 years and has generated an average annual return of 4%, available in dollars or EUR.

Entrepreneur loans

Andbank supports entrepreneurship and business innovation in Andorra, giving opportunities to anyone that has a vision for the future, through entrepreneur loans - a financing program designed to support anyone that wants to launch a new business. This product is aimed at people with a future vision, an innovative and creative idea or people that simply want to create something they believe in.

Andbank and society

The Andbank Group's commitment to the societies in which it operates goes beyond the purely financial and stems from its genuine awareness of its social responsibilities and the need to support organizations that work with the people of Andorra in order to contribute to their social well-being.

Corporate social responsibility is a key aspect of Andbank's culture. The bank has strong links with the communities where it is present, generating value through worthwhile collaborations for society, such as organizing educational conferences with sector experts, promoting entrepreneurial projects, contributing to socially-responsible projects or encouraging the young to adopt the values associated with high-level sport –dedication, tenacity and perseverance– values that Andbank wholly identifies with.

Andbank has promoted various initiatives in the social, cultural and sporting fields in order to enhance and maximise their positive benefits to society.

Andbank's social and cultural work

Andbank has a commitment to Andorran society to support its development and social well-being.
It therefore provides financial and professional support to collaborating institutions that provide much-needed help to underprivileged people or those experiencing other types of difficulties.

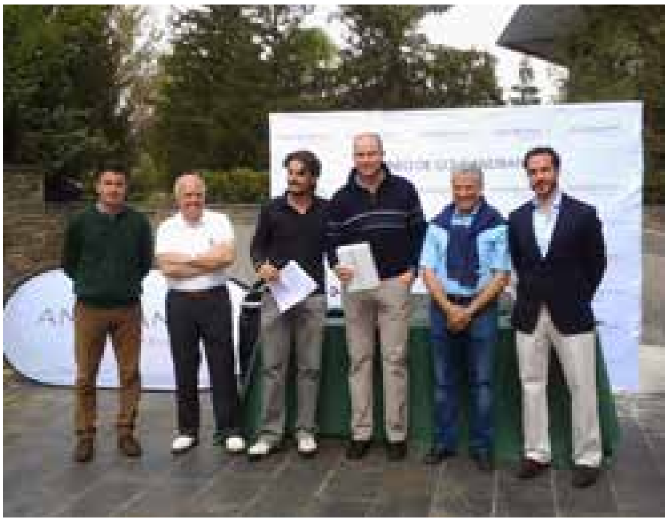
Social

- Agreement with the Dames de Meritxell Association for the Xeridell occupational workshop, which will help to provide support to implement and improve its annual projects.
- Dinner and art auction. Andbank teamed up with the local councils of Ordino and La Massana for the second edition of the charity auction organized by La Capsa, the art school of Les Valls del Nord. This edition raised more than €10,000 for the Dames Nostra Senyora de Meritxell association.

Conference on education

- The TV celebrity Pedro García Aguado, known for his role as the coach on the television program "Big Brother", among other roles, together with Francisco Castaño Meno, a secondary school teacher and mentor for students with behavioral problems, presented the conference entitled "Learn to educate: How to make our children happy".
- Agreement with the Red Cross for the PAPI project (first aid for children) aimed at pupils in the last year of primary school (10-11 years old).

Peralada music festival



Cerdanya Golf Tournament 2015

Cultural

▪ Sponsor of the first "Wine tasting and music soiree" in Andorra. The wine tasting was led by journalist Marcel Gorgori, known for his television program "En clau de vi". Andorran soprano Jonaina Salvador provided the musical entertainment for the evening, singing ten opera arias accompanied by pianist Jordi Barceló.
▪ Spanish film festival. The sixth edition of the Spanish film festival took place in collaboration with the Spanish Embassy, showing five films by renowned directors and attended by the artist Francis Lorenzo.
▪ The FoResT circus show by Compagnie Jérôme Thomas debuted in Andorra. Compagnie Jérôme Thomas is one of the best French contemporary circus companies around at the moment. Jérôme Thomas, its founder, known as the father of contemporary juggling in Europe, received the Circus Arts Prize from the Society of Dramatic Authors and Composers in 2003. The show is a ballad performed by two people, involving balancing and juggling acts danced to accordion music.
▪ The 38th edition of the Literary Evening, organized every year by the "Cercle de les Arts i les Lletres" writers and artists association, once again presented the Manuel Cerqueda Short story award. This year two runners-up prizes were presented worth €2,500 each.
▪ Exhibition of Salvador Dalí's Divine Comedy illustrations. Andbank collaborated in the exhibition of the works of this major contemporary artist organized by the local council of Escaldes-Engordany. The exhibition brought together a series of 100 woodcut engravings that Dalí produced between 1959 and 1963 to illustrate an edition of Dante's Divine Comedy.
▪ Collaboration with the Castell de Peralada Festival. Andbank continues to promote cultural dissemination and once again supported the amazing artistic work on display at this festival.

Andbank and sport

The intrinsic values in both amateur and professional sport, such as dedication, tenacity and perseverance, are wholly shared by Andbank and it has a long association with the world of sport.

▪ Andorran Olympic Committee (COA). The sportsmen and women of the COA have had a busy year with numerous competitions. They participated in the 16th Games of the Small States of Europe 2015 in Iceland; the first European Games that took place in Baku, Azerbaijan; and took part in the 2015 Mediterranean Beach Games in Pescara and at the European Youth Summer Olympic Festival held in Tiflis, Georgia.
▪ Andorran Ski Federation (FAE). Andbank once again sponsored the freestyle team of the Andorran Ski Federation made up of young skiers. The bank also continued to sponsor the cross-country skiing team. The young skier Ireneu Esteve obtained excellent results in his competitions, winning the junior and senior Catalonia Cross-country Skiing Championships in the classic-style 15 km race.
▪ Manuel Cerqueda Memorial. Traditional veterans' giant slalom ski race organized by the Andorra Ski Club.
▪ Andbank Golf Tournament. Golf continues to be one of Andbank's primary areas of sponsorship. The 15th edition of the Andbank Golf Tournament consisted of eight local rounds in 2015. One of the objectives of this tournament has always been to play on prestigious Spanish courses and the rounds in this edition were played at the Reial Club de Golf Cerdanya (Jaizkibel, San Sebastián) and at León Golf Club, among others.
▪ Andbank "Purito" Grand Prize. The bank joined this project promoted by Joaquim "Purito" Rodríguez, who designed the "queen" stage of the Vuelta a España 2015 cycling tour. The Catalan cyclist used the occasion to launch the first edition of the "La Purito Andorra 2015" open cycle race organized by the Sprint Club in collaboration with the government of Andorra. More than 1,000 riders entered the race, double the initial forecast.

Andbank and the business community

As a financial and business institution, Andbank supports initiatives in the business community through collaborations with companies and business leaders to help Andorra grow and develop.

▪ 14th edition of the Family Business Forum entitled "Family experiences and sustainability". The forum was addressed by leading speakers such as Pierre Emmanuel Taittinger, Chairman of Champagne Taittinger; Gerry Ryan, owner of the Orica GreenEDGE team; and Salvador Alemany, Chairman of Abertis Infraestructuras.

▪ Economic seminars with Àlex Fusté. One of the most international speakers has been our own macroeconomics expert Àlex Fusté. Our regular economic breakfasts at the company's headquarters continued to be held during 2015 and Àlex was also a guest speaker in numerous countries where Andbank has a presence, including Uruguay, Panama, Spain and Israel, among others.

▪ Convention of Spanish IFAs in Andorra. Andbank hosted the first convention of independent advisers and advisers from Andbank España, attended by more than 100 people.

Alex Fusté Conference

Andbank shows solidarity

Created in 2007, the Andbank Employee Solidarity Association (ASCA) once again teamed up with Andbank for a series of charitable works, altruistically providing publicity and support in response to requests for aid received by the bank. These projects, both in Andorra and abroad, are coordinated by ASCA.

- The annual collaboration with the Sant Joan de Déu Hospital is targeted at the "Cuida'm" program, which is designed to help children whose life depends on having access to highly complex medical and surgical treatment.
- Collaboration with La Gavernera.
- Collection of food and equipment for Andorran families in need.
- Campaign to collect plastic caps that can be exchanged for specialized chairs.
- Collaboration with the Andorran cancer association.
- El Cedre social and healthcare centre.
- Contribution to the TV3 Marathon.

As part of its charitable work, Andbank offers members of the Andorra Rotary Club the Rotary VISA card, which pays a percentage of all purchases made with the card and the whole of the annual card fee back to the Rotary Club, which uses the funds to subsidize the club's charitable projects in Andorra. Other Andorran NGOs that Andbank works with include AINA and Cáritas. The collaboration with AINA in the publishing of its songbook helps to fund grants for young children whose families lack financial resources, while the annual contribution to Caritas Andorra is intended to support Caritas' projects and promote its work.

FERO Grant winner

Strategy Workshops in Spain

Andbank and scientific innovation and knowledge

▪ FERO grants. Andbank has teamed up with the Fero Cancer Research Foundation, founded by the distinguished Dr. Josep Baselga to carry out research into cancer. The 8th edition of the Fero Grant worth €70,000 was awarded to Dr. César Serrano, head of the sarcoma translational research at the Vall d'Hebron Oncology Institute. The aim of this project is to identify critical molecular changes in a range of metastases in patients with GIST (gastrointestinal stromal tumors) using new blood analyses known as liquid biopsies. This latest advance can be used to accurately diagnose the genetic changes present in all metastases, allowing treatment to be personalized.
▪ Scientific conferences. The Institut Ontomèdic Dra. Codina, in collaboration with Andbank, organized the 1st Scientific Conferences for a New Educational Outlook Andorra 2015. The presentations were aimed at educators, doctors, psychologists, parents and anyone else interested, and looked at educational innovation with various professionals in the sector.

Andbank International

International expansion, framed within the strategic plan, is one of the Andbank Group's objectives. That is why the bank's commitment extends beyond Andorra and involves close relationships and involvement with companies and societies in all the jurisdictions where the bank is present.

Various actions were carried out in 2015, including a series of meetings in various Spanish cities to present the planned tax changes and the opportunities for asset and wealth planning by individuals and companies.

Andbank took part in various conferences and presentations, including the 5th IFA and Financial Agents conference; the 16th Private Banking conference; seminars organized by various institutions in Spain; and the strategy conferences in various Spanish cities organized by Andbank España.

The Andbank Group also sponsored the 2015 CEO-CF Meeting organized by Barcelona City Council. At these meetings, some 200 chief executives of 30 different nationalities meet to address the most pressing problems and discuss issues of concern to the business community.

In New York Andbank took part in the 3rd Annual Institutional Real Estate Latin America Forum, which offers the latest insight into institutional opportunities in Latin America.
In Madrid the bank took part in the 11th European Venture Philanthropy Association Conference, one of the largest events on philanthropic and social investment, which attracts around 500 people from around the world every year who are interested in social responsibility in the private banking sector. Under the theme of "Different voices: a shared future", delegates discussed the latest trends in philanthropic investment.

8.

GOVERNANCE STRUCTURE

Governance Structure

Chairmanship

Òscar Ribas Reig
Honorary Chairman

Manel Cerqueda Donadeu
Chairman

Oriol Ribas Duró
Vice Chairman

Board of Directors

Germán Castejón Fernández
Director, representing Reig Finances, S.A.

Pere Grau Hoyos
Director representing CEDO, S.A.

Manel Ros Gener
Director

Josep Sansa Torres
Secretary (non-director)

Xavier Santamaria Mas
Director

Jaume Serra Serra
Director

Josep Vicens Torradas
Director, representing IGESA

General Management

Ricard Tubau Roca
General Manager

José Luis Muñoz Lasuén
Deputy Chief Executive Officer
Corporate Services

Santiago Mora Torres
Deputy Chief Executive Officer
Investment Area

Organizational Structure

Josep M. Cabanes Dalmau
Chief Andorran Business Officer

Pedro Cardona Vilaplana
Chief IT Officer

Josep X. Casanovas Arasa
Chief Risk Officer

Jordi Checa Gutés
Chief Resources Officer

Àlex Fusté Mozo
Chief Economist

Josep García Nebot
Chief Subsidiaries Officer

Sergi Pallerola Gené
Chief Private Banking and Business Support Officer

Manuel Ruiz Lafuente
Chief Audit Officer

Galo Juan Sastre Corchado
Chief Compliance Officer

9.

LOCATIONS AND ADDRESSES

Locations and Addresses

Andorra

Andorra Banc Agrícol Reig, S. A.
Banking License
C/Manuel Cerqueda i Escaler, 4-6
AD700 Escaldes-Engordany. Andorra
Tel. +376. 873. 333
comunicacio@andbank.com

Andorra

Andorra Gestió Agrícol Reig, S. A.U., SGOIC
Andorran Fund and Portfolio Management Company
C/Manuel Cerqueda i Escaler, 3-5
AD700 Escaldes-Engordany. Andorra
Tel. +376. 873. 300
comunicacio@andbank.com

Spain

Andbank España, S.A.U.
Banking License
Paseo de la Castellana, 55, 3º
28046 Madrid. España
T. + 34. 91. 206. 28. 50
info.spain@andbank.es

Spain

Andbank Wealth Management SGIIC S.A.U.
Management company of Collective Investment Undertakings
Paseo de la Castellana, 55, 3º
28046 Madrid. España
T. + 34. 91. 206. 28. 50
andbankwmes@andbank.es

Spain

Medipatrimonia Invest S. L.
Independent Investment Advisor
Passeig de la Bonanova, 47, 2n
08017 Barcelona. España
T. + 34. 93. 567. 88. 51
medpatrimonia@med.es

Israel

Sigma Portfolio Management
Fund and Portfolio Management Company
14 Abba Hillel Silver Road
Ramat Gan
5250607 - Tel-aviv.
T. +972.361.38218
frontdesk@sigma-invest.co.il

Luxembourg

Andbank Luxembourg, S. A.
Banking License
1, Rue Hildegard von Bingen
L-1282 Luxembourg
T. +352. 27. 49. 761
info.luxembourg@andbank.com

Luxembourg

Andbank Asset Management Luxembourg, S. A.
Fund and Portfolio Management Company
1, Rue Hildegard von Bingen
L-1282 Luxembourg
T. +352. 27. 49. 761
info.luxembourg@andbank.com

Monaco

Andbank Monaco, SAM
Banking License
1, Avenue des Citronniers - BP 97
MC 98002 Monte - Carlo
Principauté de Monaco
T. +377. 93. 253. 013
info@andbank-monaco.mc

Switzerland

And Private Wealth, S. A.
Asset Management and Investment Advisor Company
Place du Molard, 3
1204 Genève. Suisse
T. +41. 228. 183. 940
info.apw@andpw.com

Brazil

Grup LLA
Fund and Portfolio Management Company
Av. Brigadeiro Faria Lima,
2179 - 8 andar Jd. Paulistano
CEP 01452-000
São Paulo - SP. Brasil
T. +55. 113. 095. 70. 70
contato@lla.com.br

USA

Andbanc Wealth Management, LLC
Holding
1221 Brickell Avenue, Suite 1550
Miami, FL 33131. USA
T. +1. 305. 702. 06. 00
info.miami@andbank.com

Mexico

Columbus de Mexico, S.A. de CV
Independent Investment Advisor
Blvd. Adolfo López Mateos 2370, 1º
Colonia Altavista
01060 México D.F. , México
T. +52. 555. 377. 28. 10
columbus@columbus.com.mx

Uruguay

Quest Capital Advisers Agente de Valores, S.A.
Securities Agency and Brokerage firm
WTC Free Zone
Dr. Luis Bonavita 1294 piso 11
Oficina 1101
11300 Montevideo, Uruguay
T. +59. 826. 262. 333
info@questadvisers.com

Brazil

Banco Andbank (Brasil), S.A.
Banking License
Av. Brigadeiro Faria Lima,
2179 - 8 andar Jd. Paulistano
CEP: 01452-000
T. +55 113. 529. 04. 00
comercial@andbank-lla.com.br

USA

Andbanc Brokerage, LLC
Brokerage Firm
1221 Brickell Avenue, Suite 1550
Miami, FL 33131. USA
T. +1. 305. 702. 06. 00
info.miami@andbank.com

Panama

Andbank (Panamá), S. A.
International Banking License and Brokerage Firm
Business Park Torre V, Piso 15
Avenida de la Rotonda, Costa del Este.
Panamá City
T. +507. 297. 58. 00
info.panama@andbank.com

Uruguay

APW Uruguay, S.A.
Investment Advisor
Dr. Luis Bonavita 1266.
WTC Torre IV - Of 1901
11300 Montevideo. Uruguay
T. +59.826. 286. 885

The Bahamas

Andbank (Bahamas) Limited
Banking License
2nd floor, One Montague Place
East Bay Street
P.O. Box AP 59223, Slot 417
Nassau. The Bahamas
T. +1. 242. 394. 70. 90
info.bahamas@andbank.com

USA

Andbanc Advisory, LLC
Asset Management Company and Investment Advisor
1221 Brickell Avenue, Suite 1550
Miami, FL 33131. USA
T. +1. 305. 702. 06. 00
info.miami@andbank.com

Uruguay

AND PB Financial Services, S.A.
Representative Office of Andorra Banc Agricol Reig, S.A. and Andbank (Panamá), S.A.
Dr. Luis Bonavita 1266.
WTC Torre IV - Of 1901
11300 Montevideo. Uruguay
T. +59.826. 286. 885
info.uruguay@andbank.com