Annual Report 2014

Table of contents

0. Key Figures

Expressed in thousands of euros

VOLUME	2014	2013
Total Assets	4,898,401	4,042,977
AuMs	21,451,093	13,473,266
Lending	1,899,489	1,767,835
Core Capital	538,762	481,946

Expressed in thousands of euros

INCOME STATEMENTS	2014	2013
Net Interest Income	50,370	43,439
Gross Operating Income	220,259	194,611
Net Operating Income	86,109	86,389
Profit before Taxes	71,404	71,306
Net Profit	64,269	64,080

RATIOS	2014	2013
ROE	12.67%	13.81%
ROA	1.43%	1.65%
Efficency	60.49%	50.61%
Solvency	16.68%	20.69%
Employees	1007	752

RATING (FITCH RATINGS)	2014	2013
Long Term IDR	A-	A-
Short term IDR	F2	F2

1. Letter from the Chairman

In 2014, the world economy in general experienced a gradual recovery. Although growth picked up at the start of year, the trend in the second half was more moderate.

One of the year's most notable events was the sharp drop in the oil price, which, together with the strong growth outlook in the United States, acted as a stimulus to the world economy in the second half of the year. The downside in the second half was the deterioration of some emerging economies, which affected growth prospects at the global level, especially in Latin America, which was adversely affected by the tightening of monetary policy by the Federal Reserve and the strengthening of the dollar. Latin America also suffered from the drop in oil prices, given that many of the region's countries are big oil exporters.

In Europe, growth remained weak, with year-on-year GDP up 0.8%, thanks to the oil price fall and the depreciation of the euro.

Bond market performance was excellent, while equities were up by an average of 8.9%. Commodities, in contrast, fell sharply, by around 21.4%.

As regards the regulatory environment, the new regulations have had, and will continue to have, a structural impact on the banking sector as a whole, especially because of the cost of complying with the new banking regulations and high capital and liquidity requirements.

In this environment of slow recovery and persistent difficulty for the global economy, with constant regulatory changes in the financial sector, we have adhered to our business model, based on personalised service to our clients and a firm commitment to discipline, risk control and strict compliance with international standards. Andbank amply complies with both the capital adequacy requirements and the regulatory compliance standards set by the regulator.

All this has been assessed very favourably by the regulator and the rating agencies. Our constancy has also been recognised by the prestigious financial magazine The Banker, which granted us an award as the best Private Banking institution and the best bank in Andorra in 2014.

In 2014 we started a new 2014-2017 Strategic Plan, aimed at consolidating the growth achieved in recent years. We can confirm that in the first year of this plan we accomplished the established objectives:

- We increased the assets under management to 21.5 billion euros.
- We are the number one banking group in Andorra in assets under management.
- At the end of 2014 international jurisdictions accounted for 70% of the Group's managed funds.
- At year-end we had more than 1,000 employees in the group.

In 2014 the Group continued to strengthen its presence in the 11 countries in which it is established and further consolidated its operating results. This achievement went hand in hand with the hiring of new talent. These experienced and ambitious professionals, of 28 different nationalities, have helped make our success possible and will ensure that our efforts to achieve our objectives continue.

In Brazil we obtained our seventh banking license, thanks to the acquisition of Banco Bracce (a deal closed in early 2015). We have made a strong entry into one of Latin America's main markets, which is one of the pillars of our new strategic plan.

The integration of the retail business of Banco Inversis was completed at the end of 2014. Added to our bank's existing business in Spain, this makes us one of the largest wealth managers in the Iberian Peninsula.

Turning to the income statement, the year ended with net profit of 64.1 million euros, despite the increase in expenses due to international growth and a prudent approach to provisioning.

Andbank's capital structure and liquidity remained consistently high during 2014. At Andbank we have a sound liquidity ratio of 61.22% and very high solvency, with a capital adequacy ratio of 16.68%. Both ratios are above the required minimum.

The main goals of the new strategic plan are to improve and modernise the Operations Directorate; to implement a group-level corporate governance model in line with the latest EU circular; and to consolidate the business in the various countries in which we deliver services.

ANDBANK requires scrupulous compliance with laws and regulations, not just as a formal obligation but as a strategic pillar, aiming for complete transparency in the provision of its services and the protection of its clients and counterparties. ANDBANK has a firm commitment to strict compliance with applicable laws and regulations, both as regards the prevention of money laundering and the provision of investment services.

Both the parent company and all the subsidiaries of ANDBANK maintain high standards of corporate governance, rules of conduct, control policies and regulatory compliance procedures.

The new 2014-2017 Strategic Plan reaffirms our determination to be a leading independent player in the private banking sector; a family-owned bank and a model of excellence in each of the jurisdictions in which we are present. Once again, the next few years will require considerable effort and adaptation to change.

As shareholders we are convinced of our growth potential. We start from a differential value proposition, great geographical diversification and a sound, independent capital base. Most important of all, we are a group which offers a project that is attractive to top professionals and which therefore is able to recruit talent.

The fact that ANDBANK is a privately held group allows us to think long-term and leaves us free to define our strategy without external pressure. Our track record, with more than 80 years of experience in private banking, is our guarantee and underpins the continuity and duration of our relationship with our clients and those who work with us.

Above all, what sets ANDBANK apart is its team of committed professionals, dedicated to the project. I am convinced that this will be the key to becoming a leader in the international financial sector.

To conclude, I would like to thank our clients and employees for their trust and loyalty. We are committed to continue to work in a spirit of honesty and rigour and will do all we can to deserve that trust.

Manel Cerqueda Donadeu
Chairman

2. World Economic Review 2014

Performance of the global economy in 2014

The global economy grew at a gradual pace throughout 2014, although this growth has been tailing off over time and in certain economies. After the recovery in global economic growth midway through 2014, country-specific data show a slight dip in world growth in the latter part of the year.

It is expected that the slump in oil prices during the second half of the year will have driven up economic activity around the globe. This factor is underpinned by robust growth forecasts for the United States.

On the downside, the deteriorating state of some emerging economies (especially in Latin America and foremost, Brazil), will have affected global growth forecasts.

Global inflation levelled off in recent months. It is likely that year-on-year inflation rates will remain low in the near term, off the back of the fall in the price of oil and other commodities. As the recovery gains pace, rates will then gradually rise.

Eurozone

As explained in the last ECB economic report, the economic recovery in the eurozone has progressively gained momentum since mid-2014 and job markets have seen an upturn, albeit marginally.

GDP rose by 0.3% quarter on quarter during the fourth quarter, compared to 0.2% in 3Q14. Consequently, after seven consecutive months of growth, real GDP in the eurozone rose to 1Q11 levels in 4Q14. Nonetheless, it is still 2% below the level posted just before the crisis in 2008.

Several factors have also fuelled activity in the eurozone recently. The drop in oil prices is resulting in higher levels of real disposable income, spurring private sector consumption.

The recent weakening of the euro has buoyed net exports, thereby reducing the need for finance.

The extensive bond purchase programme announced some time ago has contributed decisively to further easing financial pressures. In turn, this has widened businesses' operating margins and may also contribute to relaxing terms of finance and improve access to credit.

United States

Robust economic growth in the United States in the second and third quarters also bolstered global activity. US growth rates remained strong in the latter half of 2014, albeit at far more moderate levels; driven as usual, by household spending and home-buying.

The jobs market also continued to pick up, posting a rapid uptick in employment.

Improved confidence, buoyant demand and low interest rates probably also gave weight to some domestic economic factors (and possibly business investment too), offsetting the sharp slowdown in capital expenditure in unconventional oil industries.

United Kingdom

Despite the slight slowdown in 4Q14, the UK economy continued to grow at a relatively healthy rate, brushing aside the ongoing measures to shore up public coffers which undoubtedly quelled growth.

Lower energy prices and faster rising wages (off the back of renewed hirings, especially in the financial sector) have prompted a rise in real disposable income and private sector consumption. This upturn in demand and

Change in real GDP for the World and by Region (% YOY)

	1Q-2014	2Q-2014	3Q-2014	4Q-2014
Europa (EU 28)	1.4 %	1.3 %	1.2 %	1.3 %
US (QoQ SAAR)	-2.1 %	4.6 %	5.0 %	2.2 %
Asia	4.7 %	3.8 %	3.4 %	3.3 %
LatAm	1.6 %	1.0 %	1.0 %	2.5 %
World	2.6 %	2.4 %	2.3 %	2.3 %

Source: Andbank, Factset Economics Standardized Database. (1) Region Synopsis - Factset Research Systems. (2)Economic Report Euro zone – Factset Research Systems.

better borrowing terms have also prompted a wholesale rise in Purchasing Managers' Indices (PMI).

Over the four quarters, the UK enjoyed stable growth of around 2.5% year on year, with a higher rate in the final period of the year (2.7% YoY).

Japan

After the slump in activity following the VAT hike in April last year, Japan returned to growth in 4Q14, although at very low rates. Nevertheless, the year-on-year rate remains negative.

Mirroring other economies, activity (or the less pronounced downturn) was fuelled by rising real household income associated with lower oil prices. In Japan's case, however, rising levels of exports have also played a major role, resulting from a weaker Japanese yen.

Emerging Asian economies

Conditions have also brightened in some emerging economies thanks to cheaper commodities. Those gaining the most have been net importers of oil and especially heavy energy consumers.

Despite the slowdown in the housing market affected growth in 4Q14, China's economy was held up by the fall in oil prices, sustained robust consumption, recent relaxing of monetary policy, and the minor fiscal stimulus.

Chinese political leaders have increasingly been giving weight to the need to tackle the weakness of the country's finances; exposed to bubbles and macroeconomic imbalances looking further down the road. They have therefore pushed ahead with fine-tuning; implementing a number of measures aimed at halting the dynamics in sectors with the highest levels of surplus capacity and debt. This is undoubtedly putting the brakes on the country's growth.

As these risks (bubbles) are brought under control, growth rates remain somewhat more subdued, although the economy is progressing along a more sustainable path.

The economic slowdown in China will have adverse effects on the Asian economies with which China has close economic and financial ties. More sustainable growth in China will, however, ensure the region also benefits from greater visibility looking ahead, thanks to more stability.

Latin America

The outlook in the region has been negatively affected (more than expected) by the Fed's hypothetical tightening of monetary policy and stronger US dollar.

After a period of disappointing growth rates, the outlook is for a slight recovery. Nevertheless – as is common in these economies – growth has been hampered by supply bottlenecks and significant internal imbalances.

The drop in oil prices is also affecting the outlook for these countries, although negatively because many of them are major oil exporters.

Performance of the financial markets in 2014

Fixed-income market

The 10-year US Treasury bond yield suffered a major decline over the year from 3.04% in December 2013 to 2.17% in December 2014, thereby driving up the price considerably.

In the eurozone, Germany's benchmark 10-year bund yield fell (higher price) even more sharply from 1.94% at year-end 2013 to an all-time low (to date) of 0.53%.

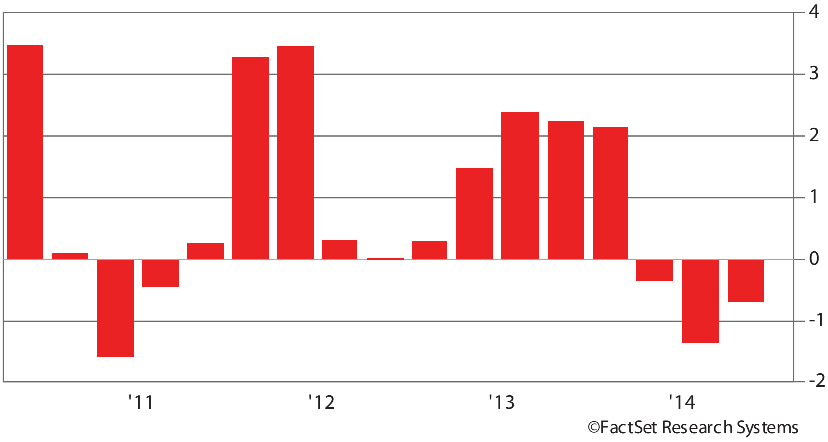
The bonds of the peripheral states were the true stars in 2014, with yields dropping by around 260 bp in the case of the Spanish bond (from 4.18% to 1.61%); the Italian bond, with a 225 bp decrease in the yield, or the impressive 344 bp fall in the yield of Portugal's bond. Ireland also experienced similar fortunes, with a 220 bp drop in its risk premium.

The sovereign bonds of emerging economies also faired very well, especially in Asia, with the overall yield falling by 75 bp. Most noteworthy were the reductions of 130 bp in India (from 9.12% to 7.85%), 94 bp in China, and the 105 bp decrease in Thailand.

In Latin America, both the Mexican 10-year bond and Brazil's enjoyed similar improvements (decreases) in borrowing costs of 60 bp and 84 bp, respectively.

Corporate bonds also performed well both in EUR and USD. The 10-year ML1 investment grade corporate debt index maintained a stable spread versus swaps of around 95 bp, be-

Real Gross Domestic Product - Japan



2. World economic review 2014

nefiting from the carry and decrease in swap rates. The same index in EUR performed even better, with spreads narrowing (117 bp to 105 bp), alongside EUR swap rates.

Equities markets

Equities markets around the world enjoyed great success in 2014, climbing 8.9% on average.

The best performances were seen in Asia, where the regional index shot up 11.2% – China's stock market achieved gains of close to 25% and India an impressive 34%.

The US market, measured with reference to the S&P index, also performed well in 2014, passing the 2,000-point mark after prices rose by 11.4%.

European stock markets saw far more modest gains of 2.3% on average (for the MSCI EMU index).

The leading Latin American markets also failed to reach their significant potential in 2014: Mexico +1% and Brazil -2.9%.

Commodities

Major falls were posted for commodities taken as a whole, with the general CRY index dropping from 280 points to 230 points. This decrease saw prices going down by 21.4 %.

Oil (WTI) was one of the worst performers in the second half of the year, with prices falling 52.6% from USD 98.2 a barrel at year-end 2013 to USD 53.5 a barrel at the 2014 close.

Currencies

The sharp depreciation of the euro (against the US dollar) cannot be overlooked, with the European currency losing 12% of its value after the EUR-USD pair fell from 1.38 to 1.21.

The JPY-USD pair faired similarly, dropping 14.4%, the Mexican real fell 12.5% against the USD, while the Brazilian real also weakened by 12.7%.

Sterling also lost ground to the USD, but gained 6.7% against the EUR.

3. World Economic Outlook 2015

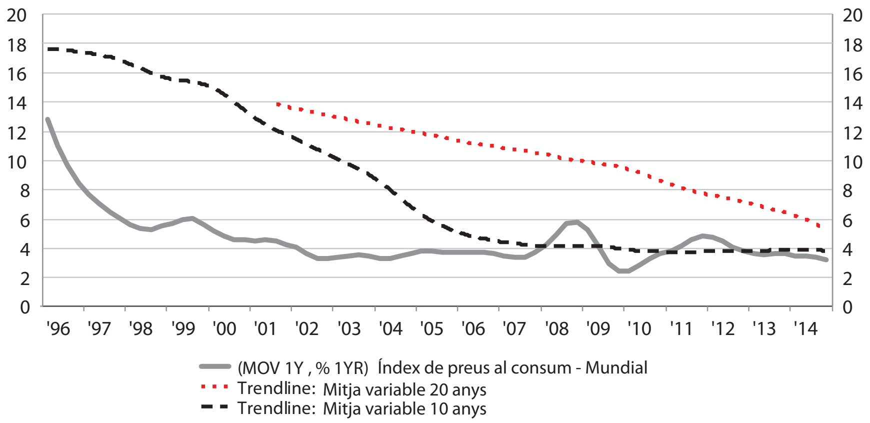
Outlook for the global economy in 2015

The current deflationary trend has not come about spontaneously in recent times. It is a drawn out process that has been brewing over the last two decades or more and, in our opinion, still has legs.

The capitalist world is returning down a deflationary path (world CPI at 3.8% in 2014 compared to a 20-year moving average of 5.4%) (see figure below).

Despite this, we do not foresee a scenario of "deflationary depression", rather a "deflationary boom" with low prices and volume (GDP) growth going hand in hand. Our forecast is supported by the fact that: (1) conditions do not exist today that would fuel a deflationary depression; with margins below the cost of capital and huge real debt; (2) in the developed world, the service sector accounts for 60-80% of GDP, while most companies sell goods, the demand for which is elastic; and (3) in a deflationary depression, equity yields do no tend to exceed the cost of capital; something which has only happened in three of the last 10 years.

World Inflation - CPI



Andbank, Oxford Economics ©FactSet Research Systems

We consider that deflation will continue (average of 2.5 % over the coming decade) because of a number of factors: (1) money multipliers will remain low in the West; (2) the ability to incorporate robotics is now greater than ever; (3) investments in mining and energy have given rise to all-time high excess capacity, especially after new projects came on stream in Mongolia and several locations across Latin America in 2015; and (4) the gradual internationalisation of the Renminbi is enabling poor ASEAN states to rapidly industrialise (thanks to cheap Chinese credit).

Eurozone

Draghi has finally begun to roll out an ambitious expansionary monetary programme. This programme could, in our opinion, extend to beyond September 2016 if necessary (which we believe will be the case). At that time, the programme will be equivalent to 11% of GDP (still far off the size of the programmes implemented by the Fed or Japan's central bank (BoJ), whose balance sheet already represents 60% of GDP). Once this round of monetary expansion comes to an end, the ECB will hold 15% of all sovereign bonds in circulation. This too is way below the amounts currently held by the Fed or the BoJ.

Consequently and prompted by optimism and confidence that the programme will be a success, the ECB has raised its GDP and inflation forecasts for the eurozone. It envisages GDP growing by 1.5% in 2015, 1.9% in 2016 and 2.1% in 2017.

Macroeconomic data in the eurozone began to exceed forecasts in early 2015. The uptick in consumption – with higher retail sales for the third month running – has been accompanied by greater levels of industrial output in Italy and France, and product orders in Germany.

Indicators have improved off the back of cheaper oil, a weaker euro, and higher wages in Germany. Whether or not oil prices and the value of the euro remain low will determine if this trend continues. We do not, however, see significant progress in the area of structural reforms. As a result, we take a cautious view further ahead, especially knowing that sovereign debt levels continue to rise.

Turning to banking, we recently witnessed the ECB's banking asset quality review. Thousands of inspectors audited the books of 130 banks, concluding that at the 2013 close, their assets were overvalued by EUR 48 billion and NPL exposures were undervalued by EUR 136 billion.

Nonetheless, the ECB did acknowledge that since summer 2013, eurozone banks have strengthened their balance sheets to the tune of EUR 203 billion (through shares, convertible bonds, earnings and asset divestments). Given these figures, we know that in an adverse economic scenario, capital ratios would fall from 12.4% to 8.3% (still above the minimum threshold of 5.5%).

The eurozone banking sector therefore remains robust, with capital requirements of only EUR 10 billion. This has not, however, led to lending returning to normal levels.

United States

The Fed did not only wrap up its quantitative easing programme but also dropped key words such as "patience in raising interest rates" from its statements at the beginning of 2015, which clearly opened the door to a tightening of monetary policy (interest rate hikes). In any event, we do not envisage it will take aggressive action. We do not therefore forecast a global risk in general or in emerging markets in particular, as a result of a quantitative tightening in the US.

Indeed, after the latest meeting with the Fed in March 2015, we have cut our interest rate forecasts for the next two years.

All things considered, we expect the Fed to gradually abandon its zero-interest rate policy. This could lead to year-end Fed Fund rates of between 0.5% and 1.00%.

The Fed also changed tack vis à vis the economy, now taking a less vociferous tone and replacing key words such as "solid rate" for more moderate statements.

Wage growth indicators are on an upward trajectory, with average salaries up 2.1% year on year.

In our opinion, the US could post growth of around 3%, with unemployment at 5.5%, although inflation will remain well short of the authorities' target. We forecast prices will rise by less than 1% over the year.

United Kingdom

Sterling rose close to 15% against the EUR over the last 18 months, climbing by between approximately 15% and 20% (average at real effective exchange rate) against the USD since 2009.

This may have contributed to the UK being the best performing advanced economy in 2014.

That said, the UK is also a victim of several serious problems, which we believe will stop the economy from growing at the current rate and cause the GBP to weaken (above all against the USD).

These structural problems can be summarised as: (1) an industrial sector contributing relatively very little to GDP; (2) an excessively expensive housing market; and (3) a poorly performing export sector (slump in exports over the last 12 months).

This worryingly reminds us of the appreciation in real effective terms between 1996 and 2000, which severely hindered the industrial sector. Indeed, this sector stagnated between 2000 and 2008, while its German and Irish counterparts doubled output.

With industry in decline and exports waning, UK economic growth has relied on activity in the financial sector. However, with its limited profitability (due to stricter EU regulations) and a smaller labour market, this positive dynamic in 2014 will not continue. Without the industrial sector and exports picking up, the UK's present rate of growth is not sustainable.

Japan

According to an article published by Nikkei citing an economic sentiment survey, 81% of those questioned believe Shinzo Abe's ultra-expansionary policy has had no tangible positive impact on the economy.

In fact, GDP figures for 4Q14 have been downgraded (to 0.4% QoQ), resulting in negative growth for the entire year (-0.1%).

Looking forward to 2015, we expect a certain uptick in activity thanks to lower crude oil prices, which will raise disposable income and led to a depreciation of the Japanese currency. We still foresee a 2015 growth rate of below 1%.

Prices are also not rising in a sustainable manner (in contrast to the goal of the aforesaid policy). Many members of the Bank of Japan are raising doubts about whether the monetary policy can raise inflation to 2% as and when intended.

Nevertheless, this expansionary monetary policy has seen carry-trade activity (borrowing in JPY) increasing significantly, reaching the highest level in six years.

This would also explain why international investors continue to acquire risk assets in JPY (which would be supported by the expansionary monetary policy and channelling of these new funds toward such assets).

Emerging Asian economies

The economies in the region (excluding China and India) ended the year posting robust growth rates of around 4.2% YoY. It is worth noting that these rates have generally remained stable over the last two years.

Net growth in China and India (with considerably higher growth than the other countries in the region) has been positive and encouraging for the area.

At present, the best performers (posting faster growth rates) are: China (7.3%); the Philippines (7%); India (+6%); Malaysia (+5.8%); and Indonesia (+5%) and Thailand (+2.2%) which despite lower rates, have returned to growth after the outbreaks of violence in 2014 with the military coup and overpowering of the government.

3. World economic outlook 2015

Looking ahead, we expect growth rates rising in the region to around 6% over the next two years. In the longer term, rates will return to normal levels of between 5% and 5.5% (see figure below).

What are the factors underlying our favourable mid- to long-term outlook? These economies are well placed to benefit from solid growth in the US. Equally, the region is one of the best placed to benefit from low crude oil prices. Last, inflation is also well tethered in these countries, leaving room for the respective central banks to continue with accommodative monetary policies that help drive up activity.

Another relevant event is the incorporation of the new Asian Infrastructure Investment Bank (AIIB) headed up by China. It is likely that decisions taken by countries such as the UK and possibly France, Germany and Japan to join this supranational organisation will de facto represent a major triumph for Beijing.

This development is certainly important in a scenario where Beijing is striving to reconfigure Asia's economic architecture. This bank may serve as a great tool for the country to increase its influence through a lending strategy. We view this new financial institution (AIIB) as a strong rival to the World Bank (dominated by the US) and even competition for the Asian Development Bank itself (with Japan at the helm).

In short, we see these moves as a firm strategy by China to convince its neighbours that Beijing can drive regional development.

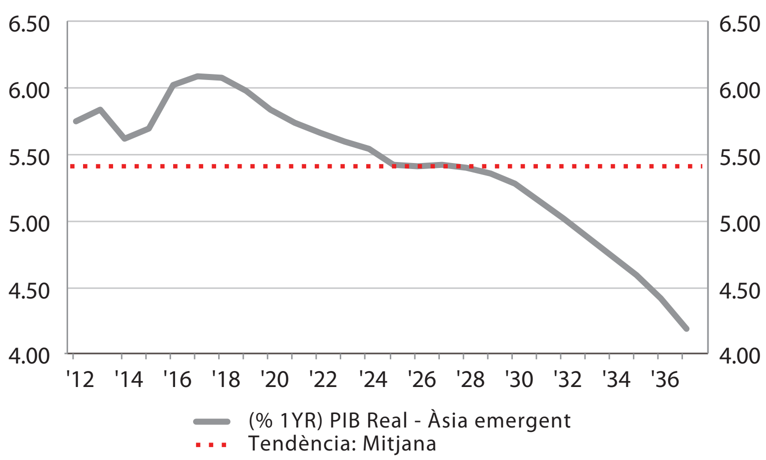
Taking all these factors into account, we can with a certain degree of confidence, paint a general picture of most of these countries continuing to post stable growth rates over the next 24 months.

Perhaps the most pertinent comment regarding China is the fact that it is clearly capitalising on global geopolitical dynamics. It is, for example, exploiting Russia's isolation on the international stage by closing the biggest energy deals ever with the Kremlin and at rock-bottom prices.

China will therefore move from being a "price taker" to having certain powers to set prices.

Given that China is and will continue to be the largest consumer of energy (and commodities in general) in the world, this is of huge benefit for Beijing.

Emerging Asia - GDP Projections (%Y/Y)



Andbank, Oxford Economics ©FactSet Research Systems

China's growth model meanwhile centres around a swathing set of reforms intended to avoid the appearance of bubbles. These reforms are taking shape as laws restricting activity, and are especially designed to apply to those sectors showing the most surplus capacity (and therefore, debt). Above all, most affected are the housing sector, general lending to consumers, and the public finances of local governments.

A clear example of this is the enactment of Directive 43 prohibiting local authorities from guaranteeing corporate debt issues and raising funds through Local Government Financing Vehicles (LGFV). These measures are already bearing fruit in the form of far lower bond issue levels (RMB 11.3 billion/month at present versus RMB 52.8 billion a year earlier).

As a result of these containment measures, all the affected sectors are experiencing major slowdowns (even shrinking in some instances).

Talks are also being held with the IMF to include the Renminbi as a Special Drawing Right (SDR). This is a basket of (five) currencies that can be jointly used as an artificial reserve currency. This, combined with the launch of the cross-border International Payment System for the Renminbi (expected at the end of 2015) is a firm foot forward in the hypothetical widespread use of the Chinese currency for global trade.

For the first time, the FTSE has also launched a Renminbi-denominated offshore bond index. This points towards massive investment in this market once it has become completely deregulated.

All these factors lead us to believe that the Chinese economy will continue to show some weakness at the beginning of 2015 (as is often the case each year), but will ramp up in the second and third quarters; closing the year with growth of 7%.

As regards the other giant in the region, India, we are paying close attention to the vigor with which the new prime minister (Nerandra Modi) is carrying out his agenda of reforms. There are great hopes for this process if the desired aims are in fact achieved, which is understood will be the case.

The key measures included in the reforms are:

Cuts to current spending. The new government is focusing on cutting public sector salaries (challenging), as well as subsidies (already abolished for diesel, but not so for kerosene or liquefied gas for domestic use), which would equate to 1.5% of GDP.

Public investment. Efforts to drive up investments do not go against fiscal consolidation expectations. The cuts in subsidies amounting to 1.5% of GDP and the goods and services tax (GST) reform still leave room to raise public investment and stick with the 3.8% deficit target.

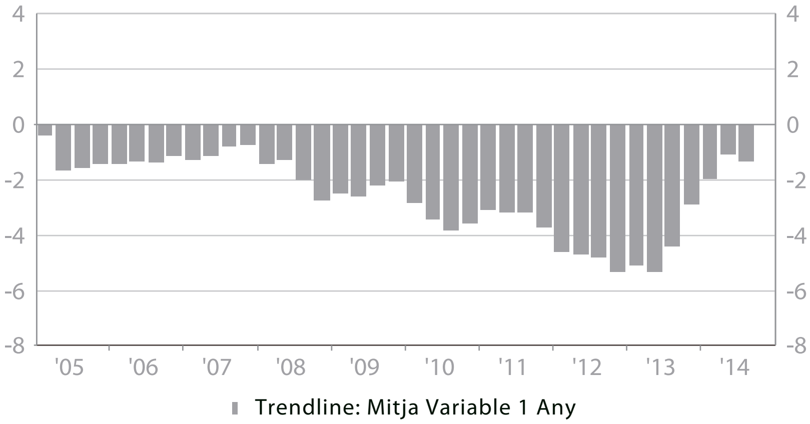
Tax reform. The new GST act will result in a wider tax base and more stable tax revenues. Some states oppose this measure.

Divestments. To date, only INR 250 billion (of the planned INR 600 billion) has been generated – this from the sale of 10% of Coal India. It appears that privatisation plans will (once again) fall short of the mark. This component of the reforms is undoubtedly not living up to expectations.

Turning to the banking sector in India, it can be seen that the risk of a bank crisis is low, despite an NPL ratio of 4% and loan restructuring rate of 9%. (1) The volume of loans in arrears is lower than is usual in emerging markets; (2) 90% of non-performing loans is in the hands of state-owned banks; (3) the risk of corporate debt reaching unsustainable levels is low, above all considering that the growth in lending has gradually normalised since 2008 to sustainable levels of 10% YoY; and (4) the lion's share of loans are backed by residents' term deposits (the loan-to-deposit ratio is less than 1 – well below that of other countries in this category), making Indian banks far less vulnerable to sudden capital flight.

However, the most significant step forward by the Indian economy has without doubt been the authorities' controls over the current account deficit (see figure below), which is contributing to this major economy now being less exposed to external shocks.

India - External Balance (% of GDP)



Andbank, Reserve Bank of India ©FactSet Research Systems

3. World economic outlook 2015

Latin America

The collapse of commodity prices since summer 2014 has highlighted the fragile nature of the balance of payments of most countries in this region. The consequence of this has been a sharp decline in the value of the majority of the regional currencies against the US dollar.

Nevertheless, not all the asset price falls in the region have been due to external influences. A number of local factors have also added to the worsening conditions.

In Brazil for instance, the investigation into alleged corruption involving the state-owned Petrobras has led to a political dispute of the likes never seen before, accompanied by a total loss of investor confidence.

In the medium term, forecasts remain very subdued and with little room for positive surprises. These economies will have to deal with the threat of a tightening of policy by the Fed and a strong US dollar, which has historically been prejudicial.
We expect most of these currencies to lose ground in 2015.

Despite all this, we have seen signs of the key economies moving in the right direction. This is the case of Brazil, after the appointment of a new economic team lead by Joaquim Levy (a hawkish player who can bring public spending under control and regain the confidence of international investors in the Brazilian economy).

In fact, the content of the Brazilian government's austerity programme has already started to be unveiled even ahead of the budget being approved (a clear message of the new economic team's commitment to making the necessary adjustments and restoring investor confidence).

Although the negative impact of this ambitious programme of fiscal adjustment in Brazil is inevitable, we do see clear progress in net terms. The key measures include: (1) a reduction in federal support for public service companies; (2) higher fuel duties; (3) a raising of indirect taxes; (4) an increase in regulated prices; (5) cuts in social welfare expenses; and (6) an interest rate hike for state-subsidised bank loans (20% of the increase in gross lending was awarded by the Brazilian Development Bank (BNDES)).

Evidently, a short-term cost is unavoidable with an adjustment of this dimension: (1) inflation could breach the 7% mark in 2015, although underlying factors should be taken into account. This said, it is likely to fall to 5.3% in 2016; and (2) GDP growth will be lower (0.5% in 2015), but will pick up in 2016 to 1.5%.

These reforms will however bear fruits in the medium to long term which, we believe, will more than offset the costs: (1) these measures will help bring down the budget deficit (from 6.7% in 2014 to 5.5% in 2015 and 4.2 % in 2016). (2) the current account deficit will also come down from 4% in 2014 to 3.5% in 2015 and 3% in 2016; and (3) the primary balance will move from a deficit of -0.6% in 2014 to a surplus of 1.2% in 2015 and 2% in 2016.

In Mexico, the negative impact on public revenues of the drop in oil prices forced the finance minister to announce public spending cuts (equivalent to 0.7% of GDP).

On a positive note, inflation dropped sharply in January due to falling electricity prices, lower telecommunication service costs, and a dissipation of the effects of the tax reforms.

Consumption figures were better than expected, with an uptick in the sales of small retailers and major chains in January.

Outlook for the financial markets in 2015

Fixed-income markets

With low inflation prevailing, we forecast nominal bond yields will follow the same downward trajectory of recent years. These assets will therefore continue to perform reasonably well despites the low yields.

The 10-year US Treasury bond yield will see fluctuations of between 1.75% and 2.25%, the latter being a floor at which point we would recommend starting to buy once again. A yield of 2.5% would be a strong buy signal.

Yields on the German bund will remain extremely poor, and we do not discount them reaching 0%. However, at these levels the carry does not mitigate the risks of a rebound, and we therefore recommend staying out. A level of 1% would be a good time to buy (although we see this level being reached in 2015 as almost impossible).

The debt of peripheral states will remain closely linked to their risk premiums and we envisage yields of Spanish and Italian 10-year bonds slumping to below 1%. Portugal's bond yield will move towards 1%, and Ireland's, 0.5%.

Turning to Greece, we still consider as a central scenario that a satisfactory political solution will be reached, with a restructuring (relaxing) of the terms of the official bailout. We do not rule out this "restructuring" affecting private bondholders in some way, although for the moment, this would not be a central scenario.

We continue to see inflation rates plummeting in Asia, which translates to downward pressure on bond yields in the emerging economy fixed-income markets. We remain upbeat about these assets.

In Latin America, vulnerabilities to an external shock, given the threat of the Fed tightening monetary policy (and the consequent strengthening of the US dollar) could negatively affect these economies further. Avoid buying the local currency-denominated bonds of these issuers (pending more attractive prices). That said, we do favour the hard currency bonds.

Equities markets

We foresee money being made in global equities markets in 2015.

The preferred markets at the eurozone and Asia. In LatAm, Mexico is not attractive.

We forecast an upturn in sales of around 1% in the eurozone and margins moving towards 5.25% thanks to lower borrowing costs and the ease with which unit costs can be brought down further (thanks to limited tensions in job markets). Earnings per share will therefore climb by 10.7%. Added to this, with the ECB's intervention taking monetary policy to the limit, it is not hard to imagine multiples increasing considerably (towards the 20x level). Consequently, I forecast that markets in the eurozone could enjoy potential gains of more than 20%.

We forecast sales rises of 8.7% and margins of 7.9%, giving rise to a growth in sales of around 14.1%. With multiples remaining unchanged at year-end 2015 (PE at 16x), I envisage double-digit gains.

Turning to the North American market, we forecast an uptick in the sales of companies on the S&P index of 4.9% with stable margins of 10%, resulting in a 4.9% improvement in earnings per share. We predict multiples will remain stable at 17x at year end, whereby the potential upside for 2015 is not considerable (less than 5%). The target price is 2,140.

Commodities

The new structural rate of production of China's heavy industry is consistent with commodity prices remaining flat.

Local regulatory factors are also quelling a sharp rise in the prices of some minerals. Chinese regulators, for example, intervened to restrict the pledging of copper as collateral (State Grid Corporation).

In more general terms, overinvestment during the last decade has resulted in never-before-seen levels of surplus capacity (see figure below).

Simultaneously, new mining projects are approaching full capacity: Rio Tinto's Oyu Tolgoi project in Mongolia (450,000 tn/year); Chinalco's Toromocho project (230,000 tn/year); and Las Bambas project (400,000 tn/year in 2016). Chile's Escondida expects to raise output by 300,000 tn/year.

Over the period 2006-2012, supply growth stood at 1.8% YoY, while demand rose by 3% YoY. With bottlenecks now cleared, it is expected that surplus capacity will amount to 2.7 million tonnes (doubling the existing capacity).

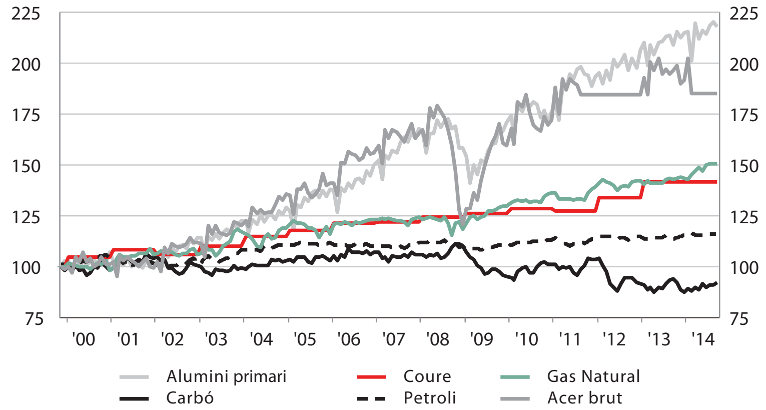
With all this in mind, our long-term forecast for industrial commodities (minerals and metals) and the outlook for a new structurally bullish market is bleak.

We tend towards oil prices continuing to be subject to downward pressure. On the one hand, key OPEC members such as Saudi Arabia remain firmly committed to continuing with a strategy of full production. At the same time, we have all-time high levels of crude stocks. These factors could easily keep crude prices low over most of the year.

Taking a more strategic view, we have witnessed global geopolitical events that have transformed the workings of the energy market and point towards more moderate structural prices (in the long term). China for example took full advantage of Russia's international isolation. At the Kremlin's request to close a major energy deal between the two nations and thereby support the Kremlin's argument that Russia cannot be left out in the cold from an economic perspective, Beijing responded with a successful strategy to exploit its bargaining power as a buyer in what are difficult times for Russia, signing the largest energy deal in history at extremely low prices. This put Beijing in new territory, moving from a "price taker" to a "price setter".

From this point of view and knowing that China will continue to be a major energy consumer and that Russia will probably not quickly

World Production, Industrial Commodities (Index)



Andbank, World Steel Association, Intl Alum Inst, EIA ©FactSet Research Systems resolve its differences with the West, we envisage a scenario where buyers hold the best hand in price negotiations. Prices will therefore be subjected to downward pressure.

Currencies

In contrast with the consensus view that most investors are extremely long the US dollar, the latest reports on positions indicate the opposite.

The total number of long US dollar positions dropped very significantly over the first two months of 2014 (50%), with total accumulated long futures contracts (compared to total open positions) at 1.3x, measured using the three-year Z-score. A net long position, but in absolute terms at stressed levels that could hinder the US dollar from continuing its momentum relative to the other currencies. The current level contrasts starkly with the long position of 2.4 (Z-score) at the end of 2014.

Thus, and assuming that the monetary policies of the Fed and the ECB diverge – thereby magnifying fluctuations in the EUR/USD cross – we feel confident in forecasting an estimate of between 0.9 and 1.05 for the EUR/USD pair.

We forecast the following levels for the other currencies at year end:

JPY/USD at 1.30; MXN/USD at 14.50; BRL/USD at 3.00; GBP/USD at 0.68, and lastly, we envisage ASEAN currencies remaining stable or even appreciating by 5% against the USD, given the significant accumulated discount.

KPMG, S.L.U.
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AD700 Escaldes-Engordany
Principat d'Andorra

Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Andorra Banc Agrícol Reig, S.A. ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of 31 December 2014, 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.

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 2014, their consolidated operation results, 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

30 March 2015

5.Financial Statements Andbank Group

Consolidated Balance Sheets at 31 December 2014 and 2013

Expressed
in thousands of Euros

Assets	2014	2013
Cash and central banks of the OECD	**40,560**	**37,265**
INAF (Andorran National Institute of Finance) (notes 4 and 22)	**210**	**210**
Financial intermediaries on sight, banks and credit institutions (notes 4 and 5)	**1,268,929**	**578,430**
Banks and credit institutions	1,269,948	579,195
Other financial intermediaries	1	762
Provisions for loan losses	(1,020)	(1,527)
Loans and receivables (notes 4 and 6)	**1,853,800**	**1,727,661**
Loans and advances to customers	1,805,098	1,632,542
Customer account overdrafts	88,873	128,009
Customer discounted notes	5,518	7,284
Provisions for loan losses	(45,689)	(40,174)
Investment securities (notes 4 and 7)	**1,169,515**	**1,147,427**
Bonds and other fixed-income securities	1,118,926	1,139,076
Provisions for loan losses	(2,581)	(3,904)
Securities valuation reserve	(5,247)	(16,958)
Investments in Group companies	4,391	4,420
Securities valuation reserve	(45)	(8)
Other investments	4,797	4,781
Securities valuation reserve	(58)	(58)
Shares and other variable-income securities	6,206	6,278
Investment funds	45,417	16,094
Securities valuation reserve	(2,291)	(2,294)
Gains on consolidation (note 8.b)	**136,338**	**34,912**
Intangible assets and amortisable costs (note 8.a)	**76,110**	**19,173**
Intangible assets and amortisable costs	117,424	55,183
Amortisation	(41,314)	(36,010)
Tangible assets (note 8.a)	**166,631**	**147,343**
Tangible assets	265,448	235,877
Depreciation	(96,664)	(79,878)
Provision for depreciation of tangible assets	(2,153)	(8,656)
Prepayments and accrued income	**50,373**	**37,751**
Interest accrued and not collected	41,526	35,190
Prepaid expenses	8,847	2,561
Other assets (note 13)	**135,935**	**312,805**
Operations in progress	9,695	5,897
Inventories	13	13
Options purchased	71,939	65,640
Other	46,250	237,691
Taxes	8,038	3,564
TOTAL ASSETS	**4,898,401**	**4,042,977**

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

5. Financial Statements Andbank Group

Consolidated Balance Sheets at 31 December 2014 and 2013

Expressed
in thousands of Euros

Liabilities	2014	2013
INAF (Andorran National Institute of Finance) (note 4)	**4,212**	**2,058**
Creditors (note 4)	**4,102,070**	**3,332,281**
Banks and credit institutions	328,880	641,253
Other financial intermediaries	97,615	301
Customer deposits	3,675,575	2,690,727
Debt securities (note 4)	**65,509**	**81,258**
Provisions for risks and contingencies (note 9)	**12,898**	**11,713**
Provisions for pensions and similar obligations	6,844	6,816
Other provisions	6,054	4,897
Subordinated liabilities	**-**	**-**
General risks reserve (note 11)	**8,493**	**5,393**
Accrued expenses and deferred income	**34,024**	**26,124**
Unpaid accrued expenses	32,952	25,086
Deferred income	1,072	1,038
Other liabilities (note 13)	**132,434**	**102,204**
Dividends payable	-	-
Operations in progress	19,554	24,029
Options issued	747	3,387
Suppliers and other creditors	86,363	59,509
Taxes	25,770	15,279
Share capital (note 11)	**78,842**	**78,842**
Subscribed capital	78,842	78,842
Reserves (note 11)	**395,650**	**357,068**
Legal reserve	15,768	15,612
Guarantee reserves	22,077	24,025
Statutory reserves	-	-
Voluntary reserves	205,787	169,279
Consolidation reserves	17,529	12,780
Revaluation reserves (note 8)	61,175	61,912
Share premiums	73,441	73,441
Translation differences	(127)	19
Profit (notes 10 and 11)	**64,269**	**46,036**
Profit for the year	64,269	64,080
Interim dividend	-	(18,044)
Minority interests	**-**	**-**
TOTAL LIABILITIES	**4,898,401**	**4,042,977**

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

Consolidated Memorandum Accounts at 31 December 2014 and 2013

Expressed in thousands of Euros

Memorandum accounts	2014	2013
Contingent liabilities	**87,101**	**73,895**
Guarantees, bonding, sureties and other	86,998	73,835
Documentary letters of credit issued to or received from and confirmed by customers	103	60
Notes and similar accepted	-	-
Commitments and contingent risks	**302,173**	**348,050**
Commitments and operational risks	294,602	340,523
Commitments and actuarial risks	7,571	7,527
Futures operations (note 14)	**6,612,725**	**8,209,787**
Outstanding forward currency purchases and sales	2,383,362	1,716,465
Forward financial instrument operations	4,229,363	6,493,322
Security deposits and other securities held in custody (notes 19 and 20)	**15,388,132**	**8,701,609**
Security deposits and other securities held in custody of third parties	14,784,996	7,978,278
Security deposits and other securities in own custody	603,136	723,331
Other memorandum accounts exclusively for administrative control	**1,319,827**	**1,425,699**
Guarantees and commitments received	1,097,805	1,203,530
Other memorandum accounts (note 21)	222,022	222,169
TOTAL MEMORANDUM ACCOUNTS	**23,709,958**	**18,759,040**

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

5. Financial Statements Andbank Group

Consolidated Income Statements for the years ended 31 December 2014 and 2013

Expressed
in thousands of Euros

Income Statements	2014	2013
Interest and similar income	**135,466**	**111,104**
INAF and financial intermediaries on sight and term	62,681	49,257
Loans and receivables	39,696	38,100
Bonds and other fixed-income securities	33,089	23,747
Interest and similar charges	**(90,450)**	**(68,621)**
INAF and financial intermediaries	(76,429)	(34,140)
Customer deposits	(13,943)	(34,403)
Others	(78)	(78)
Income from variable income securities	**5,354**	**956**
Investments in Group companies	5,251	956
Other investments	103	-
NET INTEREST MARGIN	**50,370**	**43,439**
Net fees and commissions on services	**120,527**	**111,002**
Fees and commissions accrued on services rendered	144,387	127,638
Fees and commissions accrued on services received	(23,860)	(16,636)
Gains on financial assets or liabilities	**49,198**	**39,281**
Net charges to securities valuation reserve (note 7)	12,001	(7,288)
Foreign exchange gains	4,240	2,254
Profit on securities operations	19,163	33,733
Profit on futures operations	8,741	5,419
Other	4,134	3,711
Exchange gains/losses on consolidation	-	-
Share of losses/profit of equity accounted companies	919	1,452
Other profit from ordinary activity	**164**	**889**
GROSS MARGIN	**220,259**	**194,611**
Personnel expenses	**(79,193)**	**(64,168)**
Personnel, board of directors and severance indemnities	(72,093)	(54,909)
Social Security	(4,523)	(4,290)
Other personnel expenses	(2,577)	(4,969)
Overheads	**(40,060)**	**(34,337)**
Material	(325)	(283)
External services	(30,152)	(23,982)
Taxes (note 20)	(2,431)	(1,897)
Other overheads	(7,152)	(8,175)
Amortisation and depreciation of fixed assets, net of recoveries (note 8)	**(11,289)**	**(7,411)**
Charge to the provision for amortisation and depreciation of intangible and tangible assets	(11,289)	(7,411)
Provisions for amortisation and depreciation of fixed assets, net of recoveries (note 8)	**(3,608)**	**(2,306)**

Expressed
in thousands of Euros

Income Statements	2014	2013
NET OPERATING MARGIN	**86,109**	**86,389**
Provisions for loan losses, net of recoveries	**(7,479)**	**(13,640)**
Charges to the provision for loan losses (notes 5, 6 and 7)	(9,306)	(13,640)
Recoveries of provision for loan losses	1,827	-
Provisions for risks and contingencies, net of recoveries (note 9.b)	**(737)**	**(1,334)**
Charges to provisions for risks and contingencies	(1,359)	(1,875)
Recoveries of provisions for risks and contingencies	622	541
Charges to general risks reserve (note 11.g)	**(3,100)**	**(1,200)**
PROFIT FROM ORDINARY ACTIVITY	**74,793**	**70,215**
Extraordinary profit/(loss)	**(3,389)**	**1,091**
PROFIT BEFORE INCOME TAX	**71,404**	**71,306**
Income tax (note 15)	**(6,562)**	**(7,813)**
Foreign income tax	**(573)**	**587**
CONSOLIDATED PROFIT	**64,269**	**64,080**
Profit attributed to minority interests	**-**	**-**
Profits attributed to the Group	**64,269**	**64,080**

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

5. Financial Statements Andbank Group

Consolidated Statements of Source and Application of Funds for the years ended 31 December 2014 and 2013

Expressed in thousands of Euros

SOURCE OF FUNDS	2014	2013
Funds generated from operations	**92,439**	**98,021**
Profit for the year	64,269	64,080
Net charges to provision for loan losses	7,480	13,640
Net charges to provision for fixed asset depreciation	3,607	2,306
Net charges to securities valuation reserve	-	7,288
Net charges to other provisions (pension funds and general risks)	3,737	2,534
Amortisation and depreciation of intangible and tangible assets	11,289	7,411
Profit on sale of fixed assets	2,038	1,026
Profit on sale of own shares and investments	-	-
Profit on sale of fixed assets	-	-
Profit on sale of own shares and investments	-	-
Other	-	-
Profit/(Losses) contributed by equity accounted companies (-)	19	(262)
Increase in liabilities less assets	**307,329**	**173,895**
INAF and financial intermediaries	2,153	780
Banks and credit institutions (Liabilities-Assets)	-	151,573
Other financial intermediaries (Liabilities-Assets)	98,075	-
Other items (Liabilities-Assets)	207,101	21,542
Net increase in liabilities	**984,849**	**123,330**
Creditors: customers	984,849	110,221
Debt securities	-	13,109
Net increase/decrease in assets	**-**	**62,379**
Cash and central banks of the OECD	-	4,932
Loans and receivables: customers	-	57,310
Securities portfolio, less investments	-	137
Sale of non-current investments	**12**	**-**
Sale of investments	12	-
Sale of fixed assets	-	-
Funds from financing activities	**-**	**4,222**
External capital contributions	-	4,222
Other equity items	-	
Dividends from non-current investments	-	-
TOTAL SOURCE OF FUNDS	**1,384,629**	**461,847**

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 2014 and 2013

Expressed in thousands of Euros

APPLICATION OF FUNDS	2014	2013
Funds used in operations	**92,439**	**98,021**
Application of other funds (pension funds, etc.)	-	-
Other	12,001	-
Increase in assets less liabilities	**952,735**	**235,294**
INAF (Assets-Liabilities)	-	-
Banks and credit institutions (Liabilities-Assets)	948,126	-
Other financial intermediaries (Assets-Liabilities)	-	1,563
Other items (Assets – Liabilities)	4,609	233,731
Net increase/decrease in liabilities	**15,749**	**-**
Creditors: customers	15,749	-
Net increase in assets	**199,051**	**160,575**
Cash and central banks of the OECD	3,296	-
Loans and receivables: Clients	131,655	-
Securities portfolio, less investments	64,100	160,575
Acquisition of non-current investments	**195,277**	**29,243**
Acquisition of investments	101,426	888
Acquisition of fixed assets	93,851	28,355
Funds applied to financing activities	**9,816**	**36,735**
Interim dividend for the year	-	18,044
Complementary dividends from prior year	9,816	18,691
Decrease in reserves	-	-
Other equity items	-	-
TOTAL APPLICATION OF FUNDS	**1,384,629**	**461,847**

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

5. Financial Statements Andbank Group

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 expands the statutory activities to all those activities that Andorran financial system legislation allows banking entities to carry out and 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 normalised 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 2014, to present fairly 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 Euros.

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 2013 were approved by the shareholders at their general meeting on 30 April 2014.

The financial statements of Andorra Banc Agrícol Reig SA at 31 December 2014 and 2013 have been presented separately from the aforementioned financial statements. The key financial indicators disclosed in the aforementioned financial statements are as follows:

Thousands of Euros

	2014	2013
Total assets	4,042,087	3,373,575
Share capital and reserves	457,090	423,111
Profit for the year	58,570	61,912

b) Comparative information

The information relating to 2013, contained in the consolidated financial statements for 2014, is presented exclusively for comparative purposes and does not therefore constitute the Group's consolidated financial statements for 2014.

In accordance with applicable accounting standards, certain balances for 2013 referring to financial derivatives (note 14 to these annual accounts) have been re-expressed with regard to the prior year, with part of the hedged trading swaps being reclassified on the basis of their nature.

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 2014 and 2013 have been prepared by the management of the Bank.

Notes to the Consolidated Financial Statements

The most significant subsidiaries of Andorra Banc Agrícol Reig, SA at 31 December 2014 and 2013 and their main corporate data is as follows (expressed in thousands of Euros):

2014

Thousands of Euros

Company	Registered office	Activity	% Direct ownership	% Indirect ownership	Audited company	Interim dividend	Equity	Share capital	Reserves	Prior years' profit/ (losses) pending application	Profit/ (loss)
Caronte 2002, SLU	Andorra	Services	100%	-	No	-	38	32	6	-	-
Clau d'Or, SL (*)	Andorra	Real estate	100%	-	No	-	8	30	79	(77)	(24)
Món Immobiliari, SLU (*)	Andorra	Real estate	100%	-	No	-	15	30	95	(106)	(4)
Andorra Gestió Agrícol Reig, SAU.	Andorra	Investment fund manager	100%	-	Yes	2,700	2,529	1,000	1,200	-	3,029
Andbank Bahamas (Limited).	Bahamas	Bank	100%	-	Yes	3,770	35,804	21,500	12,048	-	6,027
Nobilitas N.V.	Dutch Antilles	Holding	100%	-	No	-	(1,131)	1,000	8,933	(9,606)	(1,458)
Egregia B.V.	Holland	Special purpose vehicle	-	100%	No	-	2,689	180	11,469	(8,295)	(665)
Zumzeiga Coöperatief U.A	Holland	Special purpose vehicle	-	100%	No	-	1,592	551	-	1,725	(684)
Andorra Assegurances Agrícol Reig, SAU	Andorra	Insurance	100%	-	Yes	500	3,304	2,404	481	-	919
AndPrivate Wealth S.A.	Switzerland	Equity management	-	100%	Yes	-	2,635	3,350	-	28	(744)
Columbus de México, S.A.C.V.	Mexico	Equity management	-	50%	Yes	-	978	692	-	148	138
Quest Capital Advisers Agente de Valores, S.A.	Uruguay	Securities broker	-	100%	Yes	-	2,132	12	1	460	1,659
Andbank Asset Management Luxembourg.	Luxembourg	Investment fund management	-	100%	Yes	-	4,685	3,000	-	(554)	2,238
Andbank Luxembourg S.A.	Luxembourg	Bank	100%	-	Yes	-	51,229	54,100	-	(3,776)	905
Andbank España, S.A.	Spain	Bank	100%	-	Yes	-	198,809	75,000	128,920	(3,446)	(1,545)
Andbank Wealth Management, SGIIC, SAU	Spain	Securities broker	-	100%	Yes	-	1,700	1,004	187	-	509
Medipatrimonia Invest, S.L.	Spain	Investment services company	-	51%	Yes	-	(26)	28	883	(688)	(248)
AndPrivate Consulting, S.L.	Spain	Services	100%	-	No	-	(2,307)	3	-	(2,136)	(174)

Notes to the Consolidated Financial Statements

2014

Thousands of Euros

Company	Registered office	Activity	% Direct ownership	% Indirect ownership	Audited company	Interim dividend	Equity	Share capital	Reserves	Prior years' profit/ (losses) pending application	Profit/ (loss)
Andbanc Wealth Management LLC	USA	Holding	-	100%	No	-	470	9,747	-	(7,365)	(1,912)
Andbanc Advisory LLC	USA	Advisory services	-	100%	Yes	-	2,109	1,608	-	83	418
Andbanc Brokerage LLC	USA	Financial services	-	100%	Yes	-	161	1,202	-	(962)	(79)
APW International Advisors Ltd.(*)	British Virgin Islands	Asset management	100%	-	Yes	-	900	8	806	-	86
APW Consultores Financeiros, Lda	Brazil	Financial services	100%	-	Yes	-	(6,947)	299	-	(4,661)	(2,585)
AND PB Financial Services, S.A	Uruguay	Representation office	100%	-	Yes	-	194	169	-	5	19
Andorra Capital Agrícol Reig BV	Holland	Special purpose vehicle	100%	-	Yes	-	109	18	-	61	31
Andbank (Panamá), SA	Panamà	Bank	100%	-	Yes	2,393	7,175	5,756	-	299	3,513
And Private Wealth (Chile) (*)	Chile	Financial services	-	100%	No	-	-	-	-	-	-
Andbank Monaco S.A.M.	Monaco	Bank	100%	-	Yes	-	28,909	21,000	2,376	1,733	3,800
Tonsel Corporation	Belize	Special purpose vehicle	100%	-	No	-	(282)	41	-	(323)	-
Mangusta Antilles Holding, N.V.	Curacao	Special purpose vehicle	-	100%	No	-	(81)	5	243	(337)	9
LLA Participaçoes Ltda	Brazil	Manager of portfolios and collective investment undertakings	51,63%	-	Yes	-	16	7	-	21	(12)
Andbank (Brasil) Holding Financeira Ltda	Brazil	Holding	100%	-	No	-	31	31	-	-	-

(*) Data from 31 December 2013

Notes to the Consolidated Financial Statements

2013

Thousands of Euros

Company	Registered office	Activity	% Direct ownership	% Indirect ownership	Audited company	Interim dividend	Equity	Share capital	Reserves	Prior years' profit/ (losses) pending application	Profit/ (loss)
Caronte 2002, SLU	Andorra	Services	100%	-	Yes	-	38	32	6	-	-
Clau d'Or, SL	Andorra	Real estate	100%	-	No	-	30	-	-	-	-
Món Immobiliari, SLU	Andorra	Real estate	100%	-	No	-	27	-	-	-	-
Andorra Gestió Agrícol Reig, SAU.	Andorra	Investment fund management	100%	-	Yes	1,750	2,732	1,000	1,200	-	2,282
Andbank Bahamas (Limited).	Bahamas	Bank	100%	-	Yes	2,500	33,519	21,500	7,853	-	6,666
Nobilitas N.V.	Dutch Antilles	Holding	100%	-	No	-	428	1,000	8,933	(9,606)	101
Egregia B.V.	Holland	Special purpose vehicle	-	100%	No	-	3,294	180	11,468	(8,302)	(52)
Zumzeiga Coöperatief U.A	Holland	Special purpose vehicle	-	100%	No	-	2,276	551	-	1,637	88
Savand, SAU.	Andorra	Financial services	100%	-	Yes	-	2,181	2,100	41	-	40
Andorra Assegurances Agrícol Reig, SAU	Andorra	Insurance	100%	-	Yes	1,000	3,336	2,404	481	-	1,451
AndPrivate Wealth S.A.	Switzerland	Asset management	-	100%	Yes	-	3,318	3,290	-	-	28
Columbus de México, S.A.C.V.	Mexico	Asset management	-	50%	Yes	-	834	679	8	69	78
Quest Capital Advisers Agente de Valores, S.A.	Uruguay	Securities broker	-	100%	Yes	-	2,582	10	1	405	2,166
Andbank Asset Management Luxembourg.	Luxembourg	Investment fund management	-	100%	Yes	-	2,567	3,000	-	(1,309)	876
Andbank Luxembourg S.A.	Luxembourg	Bank	100%	-	Yes	-	50,324	54,100	-	(4,938)	1,161
Andbank España, S.A.	Spain	Bank	100%	-	Yes	-	18,719	20,000	(140)	1,971	(3,112)
Andbank Wealth Management, SGIIC, SAU	Spain	Securities broker	-	100%	Yes	-	571	1,004	187	(645)	25
Medipatrimonia Invest, S.L.	Spain	Investment services company	-	51%	Yes	-	433	54	1,732	(802)	(551)
AndPrivate Consulting, S.L.	Spain	Services	100%	-	No	-	(2,133)	3	-	(1,665)	(471)

Notes to the Consolidated Financial Statements

2013

Thousands of Euros

Company	Registered office	Activity	% Direct ownership	% Indirect ownership	Audited company	Interim dividend	Equity	Share capital	Reserves	Prior years' profit/ (losses) pending application	Profit/ (loss)
Andbanc Wealth Management LLC	USA	Holding	-	100%	No	-	(3,773)	2,714	-	(4,738)	(1,749)
Andbanc Advisory LLC	USA	Advisory services	-	100%	Yes	-	95	4	-	19	72
Andbanc Brokerage LLC	USA	Financial services	-	100%	Yes	-	12	872	-	(718)	(142)
APW International Advisors Ltd.(*)	British Virgin Islands	Asset management	100%	-	Yes	-	715	7	612	-	96
APW Consultores Financeiros, Lda	Brazil	Financial services	100%	-	Yes	-	(4,320)	297	-	(3,232)	(1,385)
AND PB Financial Services, S.A	Uruguay	Representation office	100%	-	Yes	-	185	171	-	(54)	68
Andorra Capital Agrícol Reig BV	Holland	Special purpose vehicle	100%	-	Yes	-	77	18	-	28	31
Andbank (Panamá), SA	Panama	Bank	100%	-	Yes	289	5,330	5,067	-	(380)	932
Andbank Luxembourg Limited Hong Kong	Hong Kong	Services	-	100%	Yes	-	93	-	-	-	-
And Private Wealth (Chile)	Chile	Financial services	-	100%	No	-	-	-	-	-	-
Andbank Monaco S.A.M.	Monaco	Bank	100%	-	Yes	-	25,188	21,000	2,352	1,279	557
Tonsel Corporation	Belize	Special purpose vehicle	100%	-	No	-	(248)	36	-	(284)	-
Mangusta Antilles Holding, N.V.	Curacao	Special purpose vehicle	-	100%	No	-	(109)	-	-	-	(25)
LLA Participaçoes Ltda	Brazil	Portfolio and collective investment undertaking management company	51,63%	-	Yes	-	26	7	-	18	2

(*) Data from 31 December 2012

5. Financial Statements Andbank Group

A brief description of the companies and sub-groups is as follows:

Nobilitas N.V. owns 100% of Egregia B.V. and 99% of Zumzeiga Coöperatief. Egregia B.V. owns 100% of AndPrivate Wealth, S.A. and 50% of AndPrivate Wealth, S.A. (Chile), while Zumzeiga Coöperatief U.A. owns 100% of Quest Capital Advisers Agente de Valores, S.A., 100% of Andbanc Wealth Management LLC, 50% of Columbus de México and the remaining 50% of Andprivate Wealth, S.A. (Chile). At 31 December 2014 the Parent (Andorra Banc Agrícol Reig, SA) has loans to Zumzeiga Coöperatief, U.A.

Savand, S.A.U. is a credit institution specialising in providing financial services to private customers in Andorra and is 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 authorisation 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.

On 1 July 2013 Andbank España SAU was incorporated as a subsidiary in Spain through the contribution of the assets and liabilities of the Andbank Luxembourg, SA branch, once the relevant legal authorisations had been obtained. On 20 December 2013 Andorra Banc Agrícol Reig, SA acquired 100% of the shares representing the capital of the Spanish subsidiary of Andbank Luxembourg, S.A., ie. Andbank España SAU, at their carrying amount at 30 September 2013 for approximately Euros 19.2 million. As a result of this transaction all the Andbank España SAU shares are transferred to Andorra Banc Agrícol Reig, SA. Andbank España, SAU acquired 100% of Andbank Wealth Management S.G.I.I.C., S.A.U., which was solely owned by Andbank Luxembourg, SA.

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 portfolio and collective investment undertaking management companies. The Andbank Group acquired 51.63% of the holding company's shares on 25 October 2011.

On 21 January 2014 the Bank requested prior authorisation from the INAF to acquire up to 100% of the shares of Banco Bracce, SA. On 17 December 2014 the Central Bank of Brazil (Bacen) authorised this acquisition, in conjunction with a series of share capital increases for Euros 33 million between 2014 and 2016 effective as of the last regulatory authorisation. The transaction was also authorised by the INAF on 23 December 2014 and took place in January 2015.

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

On 12 July 2013 the Bank reached an agreement with Banca March to acquire the private retail banking business of Banco Inversis, SA for a total of Euros 179.8 million.

The Bank has obtained all the relevant authorisations and, in particular, authorisation from the INAF dated 19 June 2014, to carry out the spin-off and contribution of Banco Inversis, S.A.'s retail business branch of activity to Andbank España, SAU, together with authorisation to increase the capital of Andbank España, SAU and Banca March, S.A.'s transfer to the Bank of the newly created shares 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.

The Bank also owns 100% of various companies that provide services distinct from those that constitute the Group's principal activity, with registered offices in Andorra (Caronte 2002, SLU Societat en Liquidació, Clau d'Or, S.L. and Món Immobiliari SLU) and in Spain (AndPrivate Consulting, S.L.).

APW International Advisors Ltd, 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. and LLA Participaçoes, Ltda.

- Equity method for Andorra Assegurances Agrícol Reig, SAU.

The other companies which carry out full consolidation which 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% 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 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 recognised on an accruals basis. All income accrued and expenses incurred or accrued are recognised, except for the interest on doubtful and very doubtful loans, which are recognised 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 recognised 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 recognised when they arise, either in the accounts or memorandum accounts, where applicable.

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

In accordance with banking practice, transactions are recognised 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 Euros 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 Euros 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 Euros 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 Euros 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 recognised in profit or loss and is debited by the write 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 collateralised 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 coun try 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 recognised in the accompanying consolidated balance sheet at the amount drawn down, and the undrawn amounts are recognised 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 2014 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 ap portioned 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 uderlying 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 amortised but, following internationally recognised 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 recognised 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 companies that will generate goodwill on consolidation from 2008 to 2014 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 amortisation and depreciation at rates adequate to carry fixed assets at their residual value at the end of their useful lives.

Amortisation 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 amortised 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 recognised directly.

The depreciation of capitalised 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. At 31 December 2014 the Bank revalued the carrying amount of buildings used in operations, recognising a revaluation reserve of Euros 737 thousand against revaluation reserves (see notes 8 and 11).

When an asset of this type is retired, any corresponding amounts recognised in the revaluation reserve may be transferred directly to voluntary reserves.

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 recognised 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 set down by prevailing legislation.

j) 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 recognised as spot or forward transactions depending o whether they mature in less or more than two business days. These swaps are recognised 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 organised markets are recognised 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 recognised in the income statement symmetrically to income or expenses relating to the hedged item.

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

Profit or loss on trading transactions contracted outside these markets is not recognised 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).

k) 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.

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.

l) 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.

m) Provisions for risks and contingencies

- Provisions for pensions and similar obligations

The Bank has recognised 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 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.

The Bank signed individual early retirement agreements with a number of employees in prior years.

Under the agreements signed by retired personnel, the Bank has to make supplementary remuneration payments. At 31 December 2014, a fund of Euros 620 thousand was set up for these obligations (Euros 755 thousand in 2013). Furthermore, there is an internal fund of Euros 222 thousand at 31 December 2014 (Euros 433 thousand in 2013) for early retirees, which coincides with the obligations accrued at that date.

The actuarial variables and other assumptions used in the valuation at 31 December 2014 and 2013 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 2014 was 1.5% higher than contributions in 2013, and the interest rate for pension funds held on the balance sheet was set at 1.5% in 2014 (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 2014 pension funds managed off the balance sheet amounted to Euros 1,035 thousand (Euros 1,038 thousand in 2013), whilst internal funds classified as Provisions for risks and contingencies amount to Euros 6,002 thousand (Euros 5,629 thousand in 2013).

- Other provisions

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

n) Income taxes

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 the Regulation 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 establishes 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 permit 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 they are reversed or not 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 realisation 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 recognised 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 recognised for all taxable temporary differences. Deferred tax assets identified with temporary differences, unused tax losses and unused tax credits are only recognised to the extent that it is considered probable that the Company has future taxable profit against which they can be utilised.

At each reporting date, recognised 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 recognised 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 through this company and under Other assets at the amount of the withholdings and payments on account.

o) 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. 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 must adhere. This special regime applies an increased tax rate set out in Article 60 of the Law and entered into force on 1 July 2014.

The settlement period depends on the annual net turnover for all of the activities carried out by the tax payer in the immediately previous year. Payments can be made half-yearly, quarterly or monthly. Tax payers 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.

p) 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.

Non-resident income tax is included under Taxes in the accompanying income statement for the amount accrued during the year and under Other liabilities on the balance sheet for the amount payable through this Company.

q) 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, 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 organised 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 payable and gross balances with banks and credit institutions at 31 December 2014 and 2013 is as follows:

Thousands of Euros

	2014							
	Past due	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 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

Thousands of Euros

	2013							
	Past due	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
INAF	-	-	-	-	-	-	210	210
Banks and credit institutions and other financial intermediaries	-	402,764	-	177,161	-	-	32	579,957
Loans and advances to customers	5,322	67,177	85,551	344,185	304,882	822,703	2,722	1,632,542
Customer account overdrafts	46,309	-	-	-	-	-	81,703	128,009
Customer discounted notes	-	2,994	601	1,111	2,578	-	-	7,284

The breakdown by residual maturities of bonds and other fixed-income securities in the accompanying consolidated balance sheet at 31 December 2014 and 2013 is as follows:

Thousands of Euros

	2014							
	Past due	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 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

Thousands of Euros

	2013							
	Past due	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
Bonds and other fixed-income securities	105,618	15,165	5,970	162,093	410,338	366,859	73,033	1,139,076

The maturities of the INAF deposits and balances payable at 31 December 2014 and 2013 are as follows:

Thousands of Euros

	2014							
	Past due	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 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

Thousands of Euros

	2013							
	Past due	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
INAF	-	1,848	-	210	-	-	-	2,058
Banks and credit institutions and other financial intermediaries	-	236,413	148,071	44,064	60,000	153,006	-	641,554
Customer deposits	-	1,002,114	91,643	456,692	8,465	7,779	1,124,034	2,690,727
Debt securities	-	3,770	18,859	2,248	14,610	41,771	-	81,258

Details by currency of gross loans and receivables, balances payable and the gross securities portfolios at 31 December 2014 and 2013 are as follows:

Thousands of Euros

	2014		
	Euros	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

Thousands of Euros

	2013		
	Euros	Other currencies	Total
INAF	210	-	210
Banks and credit institutions and other financial intermediaries	235,927	344,030	579,957
Loans and advances	1,495,479	137,063	1,632,542
Customer account overdrafts	99,232	28,777	128,009
Customer discounted notes	7,282	2	7,284
Securities portfolio	970,704	199,887	1,170,649

Details by currency of the INAF deposits and balances payable in the accompanying consolidated balance sheets at 31 December 2014 and 2013 are as follows:

Thousands of Euros

	2014		
	Euros	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

Milers d'euros

	2013		
	Euros	Other currencies	Total
INAF	2,058	-	2,058
Banks and credit institutions and other financial intermediaries	417,710	223,844	641,554
Customer deposits	1,972,757	717,970	2,690,727
Debt securities	81,258	-	81,258

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

Thousands of Euros

	2014				
	Past due	From 1 to 5 years	More than 5 years	No maturity	Total
Debt securities issued in 2014	-	5,257	7,200	-	12,457
Debt securities issued in 2013	-	23,910	29,142	-	53,052

5. Financial Intermediaries on Sight and Banks and Credit Institutions

Details of this caption at 31 December 2014 and 2013 are as follows:

Thousands of Euros

	2014	2013
Current accounts		
Banks and credit institutions	1,048,923	534,529
Other financial intermediaries	1	762
	1,048,924	**535,291**
Time deposits		
Banks and credit institutions	221,025	44,666
Other financial intermediaries	-	-
	221,025	**44,666**
Less, provision for loan losses	(1,020)	(1,527)
	1,268,929	**578,430**

Movement in the provision for loan losses during 2014 and 2013 is as follows:

Thousands of Euros

	2014		
	Specific risks	General risks	Total
Balance at 31 December 2012	**-**	**425**	**425**
Charges	-	1,102	1,102
Applications	-	-	-
Recoveries	-	-	-
Balance at 31 December 2013	**-**	**1,527**	**1,527**
Charges	-	-	-
Applications	-	-	-
Recoveries	-	(507)	(507)
Balance at 31 December 2014	**-**	**1,020**	**1,020**

At 31 December 2014 and 2013 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 2014 and 2013, by credit status and guarantee type, are as follows:

Thousands of Euros

	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 Euros

	2013			
Credit status	Standard	Past due	Doubtful	Total
Loans and advances to customers	1,608,139	2,450	21,953	1,632,542
Customer account overdrafts	80,306	1,176	46,527	128,009
Customer discounted notes	7,278	-	6	7,284

Thousands of Euros

Type of guarantee	2014 Mortgage	Monetary	Securities	Personal security 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

Thousands of Euros

Type of guarantee	2013 Mortgage	Monetary	Securities	Personal security and others	Total
Loans and advances to customers	880,306	23,862	393,336	335,038	1,632,542
Customer account overdrafts	42,658	-	58,704	26,647	128,009
Customer discounted notes	-	-	-	7,284	7,284

Customer account overdrafts at 31 December 2014 include loans for which legal action has been initiated, for an amount of Euros 57,760 thousand (Euros 46,327 thousand in 2013), Euros 38,189 thousand of which are secured by guarantees (Euros 30,863 thousand in 2013).

Movement in the provision for loan losses during 2014 and 2013 is as follows:

Thousands of Euros

	Specific risks	General risks	Total
Balance at 31 December 2012	**27,957**	**4,267**	**32,224**
Charges	13,207	434	13,641
Recoveries	-	-	-
Applications	(4,836)	(887)	(5,723)
Other	32	-	32
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**

The charge for 2014 includes the effect of the review of the mortgage guarantees mentioned in note 3.d, in the amount of Euros 1,362 thousand (Euros 2,193 thousand in 2013).

Details of loans from public sector entities at 31 December 2014 and 2013, which represent loans and credits, are as follows:

Thousands of Euros

	2014	2013
Central government	54,836	44,288
Local government	26,553	27,811
	81,389	**72,099**

7. Securities Portfolio

a) Bonds and other fixed-income securities

Details of this caption at 2014 and 2013 are as follows:

Thousands of Euros

	2014	2013
Principality of Andorra's public debt (see note 21 and 22)	73,132	55,506
OECD countries' public debt	698,822	466,377
Other bonds and marketable fixed-income securities	346,972	617,193
	1,118,926	**1,139,076**

At 31 December 2013 this caption also included products in portfolio for a nominal amount of Euros 96,424 thousand for which the Bank signed an agreement for their liquidation in December 2013. These products were liquidated in the first quarter 2014.

b) Investments in Group companies

Details of investments in Group companies at 31 December 2014 and 2013 are as follows:

Thousands of Euros

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, S.L.U. (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)

Thousands of Euros

2013							
	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	-	-	30	30
Mon Immobiliari, S.L.U. (Real estate)	Andorra	100%	30	-	-	27	8
Investments in Group companies accounted for using the equity method (see note 2)			-	-	-	-	2,181
Other investments			-	-	-	-	88
							4,420

Details of investments in Group companies accounted for using the equity method at 31 December 2014 and 2013 are as follows:

Thousands of Euros

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

Thousands of Euros

2013					
	% investment	Share capital	Net asset value	Total equity	Dividends in 2013
Andorra Assegurances Agrícol Reig, SA (insurance company)	100%	2,404	3,336	3,336	1,000

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 2014 and 2013 are as follows:

Thousands of Euros

	2014							
Company name and activity	**Registered offices**	**Direct ownership**	**Subscribed capital**	**Total equity**	**Profit for the year**	**Dividend for the year**	**Cost**	**Securities valuation reserve**
Serveis i mitjans de pagament XXI, SA(*)	Andorra	20%	60	183	(53)	-	12	3
Túnel d'Envalira, SA (infrastructures)	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	-
							4,781	**58**

* (Data from the financial statements for 2013)

Thousands of Euros

	2013							
Company name and activity	**Registered offices**	**Direct ownership**	**Subscribed capital**	**Total equity**	**Profit for the year**	**Dividend for the year**	**Cost**	**Securities valuation reserve**
Serveis i mitjans de pagament XXI, SA (*)	Andorra	20%	60	73	(14)	-	12	3
Túnel d'Envalira, SA (infrastructures)	Andorra	10%	8,400	14,492	(55)	-	840	55
S.E.M.T.E.E. (leisure and health)	Andorra	12%	29,403	49,530	904		3,929	-
							4,781	**58**

* (Data from the financial statements for 2012)

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 2014 and 2013 are as follows:

Thousands of Euros

	2014	2013
Managed by:		
Entities related to the Group	40,012	9,603
Entities not related to the Group	5,405	6,491
	45,417	**16,094**

The investment funds managed by the Group at 31 December 2014 include: Alternative Investment Conservative-A, Alternative Investment Growth-A, Alternative Investment Private Equity-A, Alternative Andbank Short Term Class B, Halley Sicav-H Eur. Eq. a Cap, Halley Momentum Flex. All. Low Eur (I) i Halley Momentum Flex. Al. High Eur (I).

f) Portfolio valuation

The securities as at 31 December 2014 and 2013 classified by valuation categories described in note 3.f, are as follows:

Thousands of Euros

	2014	2013
Trading portfolio	412,624	244,460
Fixed-income	371,676	235,694
Variable-income	377	448
Investment funds	40,571	8,318
Ordinary investment portfolio	213,231	281,118
Fixed-income	202,557	267,512
Investment funds	4,845	7,777
Variable-income	5,829	5,829
Held-to-maturity portfolio	544,693	635,870
Permanent investment portfolio	9,189	9,201
	1,179,737	**1,170,649**

The market value or fair value of the held-to-maturity and ordinary investment portfolios at 31 December 2014 is Euros 561,639 thousand and Euros 266,443 thousand, respectively (Euros 661,242 thousand and Euros 273,477 thousand at 31 December 2013). Of the total market value of the held-to-maturity portfolio, Euros 362,912 thousand relate to listed instruments and the rest, Euros 198,727 thousand to marked-to-model and unlisted instruments (see note 3.f). Of the total fair value of the ordinary investment portfolio, Euros 200,939 thousand relate to listed securities and the rest, Euros 65,504 thousand, to marked-to-model or unlisted instruments.

3.31% 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.

g) Securities valuation reserve

Movement in the securities valuation reserve during 2014 and 2013 is as follows:

	Thousands of Euros
Balance at 31 December 2012	**12,072**
Charges to the ordinary portfolio	7,426
Charges to the permanent investments portfolio	-
Recoveries	-
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**

h) Provisions for loan losses

	Thousands of Euros
Balance at 31 December 2012	**3,256**
Net charges to provision	648
Balance at 31 December 2013	**3,904**
Net charges to provision	(1,323)
Balance at 31 December 2014	**2,581**

As 31 December 2014 and 2013 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 amortisable costs

Movement in intangible assets and amortisable costs during 2014 and 2013 and related amortisation is as follows:

Thousands of Euros

	31/12/2013	Additions	Disposals	Transfers	31/12/2014
Cost:					
Multi-owned assets	557	48,619	(20)	-	49,156
Computer software	41,211	7,320	(769)	4,262	52,024
Other	13,415	7,720	(629)	(4,262)	16,244
Total	**55,183**	**63,659**	**(1,418)**	**-**	**117,424**
Provision for amortisation					
Multi-owned assets	(140)	(695)	-	-	(835)
Computer software	(28,635)	(444)	(1,067)	-	(30,146)
Other	(7,235)	(2,980)	(118)	-	(10,333)
Total AMORTISATION	**(36,010)**	**(4,119)**	**(1,185)**	**-**	**(41,314)**
Total NET	**19,173**	**59,540**	**(2,603)**	**-**	**76,110**

Thousands of Euros

	31/12/2012	Additions	Disposals	Transfers	31/12/2013
Cost:					
Multi-owned assets	537	20	-	-	557
Computer software	34,220	913	-	6,078	41,211
Other	12,725	6,768	-	(6,078)	13,415
Total	**47,482**	**7,701**	**-**	**-**	**55,183**
Provision for amortisation:					
Multi-owned assets	(130)	(10)	-	-	(140)
Computer software	(26,220)	(2,415)	-	-	(28,635)
Other	(6,971)	(264)	-	-	(7,235)
Total AMORTISATION:	**(33,321)**	**(2,689)**	**-**	**-**	**(36,010)**
Total NET	**14,161**	**5,012**	**-**	**-**	**19,173**

Intangible asset additions during 2014 mainly reflect the inclusion of the customer portfolio from Banco Inversis, S.A.'s retail business for amount of Euros 42,798 thousand.

Movement in tangible assets during 2014 and 2013 and their depreciation is as follows:

Thousands of Euros

	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**
Provision for 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)**
Provision for 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 depreciation	(8,656)	(4,214)	611	10,843	(737)	(2,153)
Total NET TANGIBLE ASSETS	**147,343**	**26,698**	**(6,673)**	**-**	**(737)**	**166,631**

Thousands of Euros

	31/12/2012	Additions	Disposals	Transfers	Revaluations	31/12/2013
Cost:						
OPERATING:						
Land	47,714	-	-	-	-	47,714
Buildings	44,533	-	-	-	-	44,533
Furniture	5,581	326	-	-	-	5,907
Installations	30,270	1,078	-	-	-	31,348
IT equipment	24,257	1,383	-	78	-	25,718
Vehicles	1,462	153	(83)	-	-	1,532
Fixed assets under construction	1,547	1,498	-	(78)	-	2,967
Subtotal	**155,364**	**4,438**	**(83)**	**-**	**-**	**159,719**
NON-OPERATING:						
Buildings	44,776	18,694	(2,502)	117	-	61,085
Land	10,641	-	-	-	-	10,641
Installations	4,304	-	-	-	-	4,304
IT equipment	92	-	-	-	-	92
Furniture	35	-	-	-	-	35
Vehicles	11	7	(17)	-	-	1
Subtotal	**59,859**	**18,701**	**(2,519)**	**117**	**-**	**76,158**
Total TANGIBLE ASSETS:	**215,223**	**23,139**	**(2,602)**	**117**	**-**	**235,877**
Provision for depreciation:						
OPERATING:						
Buildings	(14,872)	(1,885)	-	-	-	(16,757)
Furniture	(5,080)	(203)	-	-	-	(5,283)
Installations	(21,613)	(1,369)	-	(309)	-	(23,291)
IT equipment	(21,099)	(913)	-	2	-	(22,010)
Vehicles	(471)	(161)	-	-	-	(632)
				-		
Subtotal	**(63,135)**	**(4,531)**	**-**	**(307)**		**(67,973)**
Provision for depreciation:						
NON-OPERATING:						
Buildings	(4,531)	(271)	-	(2,722)	-	(7,524)
Installations	(4,241)	(16)	-	-	-	(4,257)
IT equipment	(92)	-	-	-	-	(92)
Furniture	(32)	-	-	-	-	(32)
Subtotal	**(8,896)**	**(287)**	**-**	**(2,722)**	**-**	**(11,905)**
Total DEPRECIATION	**(72,031)**	**(4,818)**	**-**	**(3,029)**	**-**	**(79,878)**
Provision for depreciation	(9,511)	(2,301)	247	2,912	-	(8,656)
Total NET TANGIBLE ASSETS	**133,681**	**16,020**	**(2,358)**	**-**	**-**	**147,343**

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

Additions of non-operating assets in 2014 comprise foreclosed assets.

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) are as follows:

	Thousands of Euros
Consideration given	
Cash paid	179,800
Fair value of net assets acquired	89,959
Goodwill (note 8,b)	89,841

In order to identify the transferred assets and liabilities the balance sheet of reference 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 is 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., has taken place on 28 November 2014.

During 2014 and 2013 no interest or exchange differences relating to fixed assets have been capitalised.

With express authorisation 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 recognised where this is not the case. At 31 December 2014 the Bank revalued the carrying amount of buildings used in operations, recognising an impairment provision of Euros 737 thousand against revaluation reserves (see note 11.d).

b) Gains on consolidation

	Thousands of Euros
Balance at 31 December 2012	**33,664**
Acquisitions	1,052
Exchange gains	196
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**

The acquisition of Quest Capital Advisers, S.A. on 17 December 2009 generated goodwill of Euros 13,556 thousand, of which Euros 7,482 thousand was capitalised in 2010 to recognise deferred payments relating to the acquisition and recognised under Other liabilities in the balance sheet at 31 December 2014.

The acquisition of Columbus de México, S.A. on 11 April 2008 generated goodwill on consolidation of Euros 3,572 thousand.

The acquisition of Andbanc Monaco, S.A.M. on 30 June 2011 and of LLA Participaçoes, Ltda. on 25 October 2011 generated goodwill on consolidation of Euros 11,347 thousand and Euros 10,482 thousand, respectively (see notes 2 and 3.g).

The acquisition of Medipatrimonia Invest, SL and Andbank Wealth management SGIIC, SAU (formerly Medivalor AV Agencia de Valores, S.A.U.) by Andbank Luxemburg, S.A. generated goodwill on consolidation of Euros 1,052 thousand (see note 2.d).

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

9. Provisions for Risks and Contingencies

a) Provisions for pensions and similar obligations

Movement in pensions and similar obligations during 2014 and 2013 is as follows:

Thousands of Euros

	Retirements	Early retirements	Pension funds	Total
Balance at 31 December 2012	**808**	**646**	**5,247**	**6,701**
Charge for the year against income statement	2	6	599	607
Payments made to pensioners and surrenders for the year	(76)	(189)	(552)	(817)
Other movements	20	(30)	335	325
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**

The charge to the pension fund is recognised under Other personnel expenses in the income statement. In 2014 and 2013 this charge includes Euros 72 thousand in financial charges. Other movements include the Andbanc Monaco, S.A.M. defined contribution pension plan.

Payments made to pensioners and early retirees during 2014 are recognised against the provision.

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

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 2014 pension funds managed off the balance sheet amounted to Euros 1,035 thousand, whilst internal funds classified as Provisions for risks and contingencies amount to Euros 5,694 thousand.

b) Other provisions

Movements in these provisions are mainly the result of the additional provisions recognised in 2014 and 2013 to cover possible losses on certain written options.

Movement in other provisions during 2014 and 2013 was as follows:

Thousands of Euros

	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**

Thousands of Euros

	31/12/12	Recoveries	Charges	Applications	31/12/13
Other provisions	3,184	541	1,772	-	4,897
Totals	**3,184**	**541**	**1,772**	**-**	**4,897**

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 2014 be distributed as follows:

Thousands of Euros

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

The charge to the voluntary reserve includes an amount of Euros 913 thousand relating to the annual charge to the non-distributable reserve for gains on consolidation (see note 3.g).

During 2014 the Bank has not distributed interim dividends to the income statement for 2014.

Distribution of profit for the year ended 31 December 2013, approved by the shareholders at their annual general meeting on 30 April 2014, was as follows:

Thousands of Euros

	2013
Legal reserve	156
Voluntary reserves	33,896
Interim dividend	18,044
Complementary dividend	9,816
	61,912

11. Movement in Equity and General Risks Reserve

Movement in the Group's equity during 2014 and 2013 is as follows:

	Share capital	Legal reserve	Guarantee reserves	Share premium	Revaluation reserves	Voluntary reserves	Translation differences	Consolidation reserves	Interim dividend	Complem, dividend	Consolidation adj, without effect on equity	Profit
Balance at 31 December 2012	**78,061**	**15,612**	**20,900**	**69,999**	**61,912**	**149,322**	**18**	**12,363**	**(18,499)**	**-**	**-**	**56,581**
Distribution of profit for 2012	-	-	-	-	-	15,934	-	-	18,499	18,691	-	(53,124)
Consolidation adjustments	-	-	-	-	-	-	1	417	-	-	3,039	(3,457)
Other (note 3f)	-	-	-	-	-	7,148	-	-	-	-	-	-
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of guarantee reserves	-	-	3,125	-	-	(3,125)	-	-	-	-	-	-
Profit for 2013	-	-	-	-	-	-	-	-	-	-	-	64,080
Interim dividend	-	-	-	-	-	-	-	-	(18,044)	-	-	-
Transfer of reserves	-	-	-	-	-	-	-	-	-	-	-	-
Share capital increase	781	-	-	3,442	-	-	-	-	-	-	-	-
Balance at 31 December 2013	**78,842**	**15,612**	**24,025**	**73,441**	**61,912**	**169,279**	**19**	**12,780**	**(18,044)**	**-**	**-**	**64,080**
Distribution of profit for 2013	-	156	-	-	-	33,896	-	-	18,044	9,816	-	(61,912)
Consolidation adjustments	-	-	-	-	-	-	(146)	4,749	-	-	(7,435)	(2,832)
Other (note 3f)	-	-	-	-	-	664	-	-	-	-	-	664
Revaluation buildings (note 8)	-	-	-	-	(737)	-	-	-	-	-	-	-
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of guarantee reserves	-	-	(1,948)	-	-	1,948	-	-	-	-	-	-
Profit for 2014	-	-	-	-	-	-	-	-	-	-	-	64,269
Interim dividend	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of reserves	-	-	-	-	-	-	-	-	-	-	-	-
Share capital increase												
Balance at 31 December 2014	**78,842**	**15,768**	**22,077**	**73,441**	**61,175**	**205,787**	**(127)**	**17,529**	**-**	**-**	**-**	**64,269**

a) Share capital

On 7 November 2013 the Bank increased capital by Euros 781 thousand, with share capital rising to Euros 78,842 thousand at 31 December 2013, through the annulment of the current series of 1,751,825 shares and their simultaneous substitution by 1,751,825 new shares and the issue of another 17,518 new shares. These shares have a nominal amount of Euros 44.56 and a joint share premium of Euros 3,442 thousand.

This share capital increase was fully subscribed and paid up by some of the Bank's directors.

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 2013 the legal reserve was fully appropriated.

Voluntary reserves include an amount of Euros 916 thousand as non-distributable reserves in relation to the acquisition of monetary funds.

Voluntary reserves include an amount of Euros 18,035 thousand for differences on first-time consolidation from prior years that are restricted.

93.21% of the Bank's voluntary reserves and share premium at 31 December 2014 are available for distribution (see note 3.f).

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, (Llei 01/2011, de 2 de febrer, de creació d'un sistema de garantia de dipòsits per a les entitats bancàries) the guarantee reserves caption totalled Euros 22,077 thousand and Euros 24,025 thousand at 31 December 2014 and 2013, respectively.

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 authorises their distribution.

e) Consolidation reserves

Consolidation reserves correspond to the following companies:

Thousands of Euros

	2014	2013
Andorra Gestió Agrícol Reig, SAU.	2,492	3,817
Andorra Assegurances Agrícol Reig, SA	1,741	1,649
Grup Nobilitas N.V.	1,910	1,920
Andbank Bahamas (Limited)	7,871	7,906
Savand, SAU.	-	226
Grup Andbanc Luxembourg	(661)	(1,948)
Other	4,176	(790)
Total	**17,529**	**12,780**

Movement in consolidation reserves in 2014 and 2013 is as follows:

	Thousands of Euros
Balance at 31 December 2012	**12,363**
Distribution of 2012 profit to reserve	(558)
Complementary dividend for 2011	(3,181)
Other consolidation adjustments	4,156
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**

f) Profits/loss attributed to the Group

Details of profit/loss attributed to the Group at 31 December 2014 and 2013 are as follows:

Thousands of Euros

	2014	2013
Andorra Banc Agrícol Reig, SA	**58,570**	**61,912**
Fully consolidated companies:	**14,052**	**7,142**
Andorra Gestió Agrícol Reig, SA	3,029	2,282
Andbank Bahamas (Limited)	6,027	6,666
Grup Nobilitas N.V.	(1,458)	101
Columbus de México, SA, CV	138	78
And Private Wealth, SA	(744)	(47)
Quest Capital Advisers	1,659	1,780
Andbanc Wealth Management LLC	(1,912)	(1,750)
Consolidation adjustments Nobilitas Group	(599)	40
Savand, SAU.	-	40
Grup Andbanc Luxembourg	3,135	2,584
Andbank (Luxemburg) SA	905	1,929
Andbank Asset Management Luxembourg, SA	2,238	876
Consolidation adjustments Andbank Lux Group	(8)	32
Grup Andbank España	(1,272)	(3,112)
Andbank España, SA	(1,545)	1,929
Andbank Wealth Management,SGIIC, SAU(*)	509	25
Mepatrimonia Invest, SL (*)	(248)	-
Consolidation adjustments Andbank Lux Group	12	-
Andbank (Panamá), SA	3,513	932
APW Consultores Ltda,	(2,585)	(1,385)
Andbanc Monaco, SAM	3,800	557
Other	(137)	(1,523)
Companies accounted for using the equity method	**919**	**2,640**
Andorra Assegurances Agrícol Reig, SA	919	2,640
Consolidation adjustments	**(9,272)**	**(7,615)**
	64,269	**64,080**

(*) During 2013 these companies formed part of the Andbank Luxembourg Group (see note 2)

General risks reserve

Movement in the general risks reserve during 2014 and 2013 is as follows:

	Thousands of Euros
Balance at 31 December 2012	**4,193**
Charges to the reserve	1,200
Net recoveries from the reserve	-
Balance at 31 December 2013	**5,393**
Charges to the reserve	3,100
Net recoveries from the reserve	-
Balance at 31 December 2014	**8,493**

12. Balances in Euros and Other Currencies

The breakdown of assets and liabilities in the balance sheets at 31 December 2014 and 2013 in Euros and other currencies, is as follows:

Thousands of Euros

	2014		**2013**	
	Assets	Liabilities	Assets	Liabilities
Euros	3,810,284	3,409,457	3,377,536	3,072,935
Other currencies	1,088,117	1,488,944	665,441	970,042
	4,898,401	**4,898,401**	**4,042,977**	**4,042,977**

13. Other Balance Sheet and Income Statement Items

In addition, at 31 December 2014 and 2013 other significant items are as follows:

a) Other assets

Thousands of Euros

	2014	2013
Operations in progress	9,695	5,897
Inventories	13	13
Options purchased	71,939	65,640
Public entities	-	-
Taxes	4,155	1,666
Other receivables (note 2,d)	50,133	239,589
	135,935	**312,805**

Operations in progress include the amounts receivable from market counterparties.

Taxes comprise income tax payments made during 2014.

b) Other liabilities

Thousands of Euros

	2014	2013
Operations in progress	19,554	24,029
Options issued	747	3,387
Public entities	14,257	15,850
Securities borrowed	33,530	19,318
Other payables	64,346	39,620
	132,434	**102,204**

The amount of securities borrowed by the Bank from its portfolio of assets held in custody is recognised 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 recognised, 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 2014 and 2013. A distinction is made between trading and hedging operations by market to which they belong:

Thousands of Euros

	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**

Thousands of Euros

	2013			
	Market	Hedging	Trading	Total
Outstanding forward currency purchases and sales	Unregulated	1,716,465	-	1,716,465
Options	Unregulated	290,141	14,118	304,259
Swaps	Unregulated	4,406,591	135,404	4,541,995
Other agreements	Unregulated	1,572,300	74,768	1,647,068
		7,985,497	**224,290**	**8,209,787**

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 Euros

	2014			
	Less than 1 year	From 1 to 5 years	More than 5 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**

Thousands of Euros

	2013			
	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Outstanding forward currency purchases and sales	1,716,465	-	-	1,716,465
Options	56,497	75,243	172,519	304,259
Swaps	1,858,936	2,384,177	298,882	4,541,995
Other agreements	398,943	1,087,825	160,300	1,647,068
	4,030,841	**3,547,245**	**631,701**	**8,209,787**

15. Taxation: Income Tax

The Group files 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 companies 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.

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 once these annual accounts have been authorised for issue, together with the Bank's tax expense forecast, is as follows:

Thousands of Euros

	2014	2013
Accounting profit before tax (*)	68,161	73,496
Permanent differences	**1,605**	**(2,337)**
originating in the year	1605	(2,337)
originating in prior years	-	-
Accounting income	69,766	71,159
Temporary differences	**2,407**	**13,705**
originating in the year	2,407	13,705
originating in prior years	-	-
Taxable income	72,173	84,864
Tax rate of 10%	7,217	8,486
Tax payable	7,217	8,486
Deductions and credits	(655)	(706)
Net tax payable	6,562	7,780
50% credit on net tax payable	-	-
Withholdings and payments on account	(3,863)	(2,237)
Tax difference	2,699	5,543

(*)This amount corresponds to the sum of the individual accounting profit/loss of each Andbank Group company subject to Andorran income tax legislation.

The income tax expense for the year is calculated as follows:

Thousands of Euros

	2014	2013
Income and expenses before income tax plus permanent differences	72,173	84,864
Taxable income at 10%	7,217	8,486
Deductions, credits and reductions	(655)	(706)
	6,562	**7,780**

A reconciliation between accounting profit before tax and income tax expense for 2014 and 2013 is as follows:

Thousands of Euros

	2014	2013
Income and expenses for the year	68,161	73,496
10% of the income and expenses balance for the year	6,816	7,349
Tax effect of permanent differences	401	1,137
Deductions and credits for the current year	(655)	(706)
Income tax expense	**6,562**	**7,780**

According to estimates for 2014, the Bank has no tax loss carryforwards to be offset against future taxable income.

16. Assets Pledged as Collateral

At 31 December 2014 and 2013 the Bank has no assets pledged as collateral or commitments with third parties.

17. Transactions with Related Entities and Individuals

Details of transactions with related entities and individuals that exceed 10% of equity at 31 December 2014 and 2013 are as follows:

Thousands of Euros

	2014				
	Shareholders	Subsidiaries	Members of the Board of Directors (non-shareholders)	Members of Senior 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

Thousands of Euros

	2013				
	Shareholders	Subsidiaries	Members of the Board of Directors (non-shareholders)	Members of Senior Management (non-shareholders)	Other related parties
Banks and credit institutions					
Assets	-	-	-	-	-
Liabilities	-	-	-	-	-
Loans and receivables	61,354	-	-	-	52,675
Memorandum accounts	28,699	-	-	-	67,607
Customer deposits	844	-	-	-	442

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 2014 and 2013 no balances representing above 10% of equity are held with non-shareholder members of the Board of Directors, non-shareholder members of Senior Management or other related parties.

The positions held with other related parties relate to one individual, who is not a member of the Board of Directors or Senior Management.

In relation to shareholders, during 2014 and 2013 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 2014 and 2013, respectively.

All related-party transactions have been conducted at arm's length.

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 100 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 the historically low interest rate environment that has prevailed in recent years, the Group has maintained a positive exposure to movements in the yield curve; i.e. the Group's financial margin would increase if the interest rate were to rise and decrease if the interest rate were to fall. This has translated into a positive repricing gap of the Group's interest-rate-sensitive balance sheet assets and liabilities, i.e., overall, the repricing of assets precedes in time the repricing of liabilities. This positioning has been supported by very short-term interbank lending and investments in fixed-rate bonds and bonds with a return pegged to the 3/6-month Euribor, maturing in the short or medium term, although part of the portfolio is made up of longer-term fixed-rate bonds that have been purchased without hedging in order to increase the duration of the balance sheet assets.

The limit established as the maximum loss resulting from a 100 basis point parallel shift in the yield curve is 5% of own funds. During 2014 this limit was not exceeded.

Market risk

Market risk is understood as the potential loss to which the securities portfolio is exposed due to changes in market conditions, such as asset prices, interest rates, market volatility and market liquidity. The measures the Group uses to manage the market risk of its own portfolio are value at risk (VaR), stress testing and sensitivity measures on interest rates and credit spreads of items exposed to these risk factors, in line with general market standards.

VaR is measured 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 week and with a confidence level of 99%, and the historical period is one year.

During 2014 this VaR limit has not been exceeded. The average VaR calculated for the ordinary investment portfolio and for the trading portfolio was Euros 0.89 million, with a maximum of Euros 1.7 million and a minimum of Euros 0.36 million. The average position of the ordinary investment portfolio and the trading portfolio was Euros 465 million. The average net position of the Group's securities portfolio (which includes Euros 225 million in hedging derivatives) was Euros 1,025 million, the average VaR having been 0.61% of the average invested position.

Stress testing consists of measuring the performance of the Bank's portfolio in terms of results in extreme market circumstances, taking into consideration historical and hypothetical scenarios.

Sensitivity measures are carried out taking into consideration a parallel shift in the yield curves and the probability of default of issuers of 1 basic point.

Credit risk

Credit risk is the potential loss that would arise should a counterparty fail to meet its obligations with the Group.

The Group follows a prudent policy in assigning credit limits, authorising 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.

Strict rules are applied for granting limits to counterparties that have not posted collateral. In such cases, the counterparty is required to 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 price at which the 5-year CDS is traded. Observation of the market variable allows any change in the counterparty's credit rating to be swiftly included in the model.

Liquidity risk

Liquidity risk is defined as the risk that an entity will be unable to meet its payment obligations at a given time, whether arising from, among others, the maturity of deposits, the drawdown of credit facilities granted, or guarantee requirements in transactions with collateral.

The Middle Office department monitors the liquidity position daily to ensure that it remains above the minimum liquidity level established by the ALRCO. The Group has set a minimum amount of overnight cash and an additional minimum amount of cash and highly liquid positions with one-week liquidity. Repo-financed positions are also monitored on a daily basis.

Compliance with the liquidity ratio established by the INAF, which supervises the Andorran financial system, is monitored monthly. This ratio compares liquid and relatively liquid assets with liabilities becoming due and payable and is set at a minimum of 40%. During 2014 the Group maintained an average liquidity ratio of 66.38% and at year-end the ratio was 61.22%.

Since the start of the international financial crisis, a liquidity contingency plan for the Group has been drawn up at monthly intervals, assessing contingent liquidity based on different levels of mobilisation of liquid assets and considering the cost at which this liquidity would be obtained. Another short and medium term liquidity management measure used by the Group is the residual maturity of the Group's balance sheet assets and liabilities.

The maximum exposure limits during 2014 and 2013 under different measures, based on the risk-generating factor, were as follows (in thousands of Euros):

Thousands of Euros

	2014	2013
FIXED-INCOME – Position for trading	15,000	15,000
CHANGES – Overall Forward/Cash Position	6,000	6,000
INTEREST- Equity loss resulting from a 1% rise in the yield curve (*)	5%	5%
VARIABLE-INCOME- Position for trading	6,000	6,000

(*) Limit on own funds

19. Memorandum Accounts

At 31 December 2014 and 2013, details of the consolidated memorandum accounts, by security type, are as follows:

Thousands of Euros

	2014	2013
Shares and other variable-income securities	2,842,187	1,369,472
Bonds and other fixed-income securities	5,659,107	5,470,796
Units in investment funds not managed by the Group	6,255,160	1,081,825
Units in investment funds managed by the Group	490,507	771,637
Other	141,171	7,879
	15,388,132	**8,701,609**

At 31 December 2014 Deposits of securities and other securities under custody include an amount of Euros 500,908 thousand (Euros 452,040 thousand in 2013) held as collateral for various security-backed loans (see note 6) and off-balance sheet exposures.

At 31 December 2014, 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 recognised for management commissions is recognised 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.q.

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 2014 and 2013 are as follows:

Thousands of Euros

	2014			2013		
	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	554,217	-	554,217	863,055	-	863,055
Individual customer portfolios managed discretionally	9,504,299	876,352	10,380,651	2,739,372	1,055,617	3,794,989
Other individual customers	7,442,476	3,073,749	10,516,225	6,338,981	2,503,241	8,842,222
Total	**17,500,992**	**3,950,101**	**21,451,093**	**9,914,407**	**3,558,859**	**13,473,266**

21. Other Memorandum Accounts

Details at 31 December 2014 and 2013 are as follows:

Thousands of Euros

	2014	2013
Very doubtful loans	67,133	57,002
Other	154,889	165,167
Trusts	70,687	91,308
Other	84,202	73,859
Public debt issued by the Andorran Government	73,132	55,506
Unlisted own securities	9,189	9,201
Other	1,881	9,152
	222,022	**222,169**

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 Euros 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 Euros 55,506 thousand maturing on 31 December 2013 (see note 7). Upon maturity at 31 December 2013, this issue was renewed and the new maturity date established at 31 December 2015.

Loans granted 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 2014 the loans extended by the Bank in this regard amounted to Euros 53 thousand (Euros 125 thousand at 31 December 2013). They are recognised 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 in their permanent funds various minimum reserves of equity 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 Euros 1,948 thousand at 31 December 2014 (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 2014 is Euros 426 thousand (Euros 498 thousand in 2013), recognised 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 16.68% and 61.22%, respectively, at 31 December 2014 (23.33% and 67.33% at 31 December 2013).

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 favour of a single beneficiary was 17.99% of equity (16.23% in 2013). Loans or other operations involving risk in a single beneficiary that exceed 5% of equity have not exceeded an accumulation of risks of 99.96% in the aggregate (99.96% in 2013).

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)

In its session held on 29 December 2000, the 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 (Llei de cooperació penal internacional i de lluita contra el blanqueig de diners o valors producte de la delinqüència internacional), 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.

5. Financial Statements Andbank Group

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 of the operating entities of 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 the operating entities of 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 must adhere. 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. Because the annual adjustment for 2014 entered into force on 1 July 2014, only the IGI quotas for the second half of the year have been taken into consideration.

The settlement period depends on the annual net turnover for all of the activities carried out by the tax payer in the immediately previous year. Payments can be made half-yearly, quarterly or monthly. Tax payers 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 payable to 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 2014 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 2014 and 2013 are recognised under Other assets - Taxes on the accompanying balance sheet (see note 13).

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 characterised 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

At its meeting held on 26 November 2014 the Bank's board of directors agreed to request authorisation to issue bonds amounting to Euros 50 million. On 29 December 2014 the INAF granted the authorisation to issue perpetual subordinated bonds of Euros 35 million and convertible bonds of Euros 15 million.

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, with the improvement in the Tier 1 capital ratio being approximately 178 basis points.

Taking into consideration the current legislation and taking as a reference the calculation at 31 December 2014, the issue of these bonds would represent an improvement in the Group's capital adequacy ratio from 16.68% to 19.41% (from 23.33% to 25.84% in the individual).

These bonds were issued and commercialised during the first two months of 2015. All of the bonds from both issues have been sold at the date these financial statements were authorised for issue.

6. Risk management

The management and control of risk is fundamental to the management of the Andbank Group. The main risks to which the Group is exposed in the course of its activity are:

- 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: the Credit Risk Department, which manages and monitors the credit risk associated with customers; the Middle Office, which supervises interest rate, exchange rate, market, counterparty, country and liquidity risk; the Controller's Department Europe and the Controller's Department LatAm, which control the activity of the international subsidiaries to ensure that it remains within the established regulatory framework and to monitor compliance with the requirements of the supervisor in each jurisdiction; and the Operational Risk Department, which oversees the Bank's operational risks. In addition, the persons responsible for risk control in each Group entity report functionally to the CRO, who, as a global function, supervises their activity and ensures that, beyond any local requirements, homogeneous standards of control are applied across the Group.

The Internal Audit Department also plays a role by carrying out spot checks on the abovementioned risks, reporting any non-compliance or unauthorised risk taking that has not already been detected and reported by the persons responsible for ongoing risk control, and proposing corrective measures.

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's risk management positioning is based on maintaining a prudent approach, in which risk taking is linked to the performance of commercial banking, private banking and asset management activities. The principles on which the Group's risk management and control are based are as follows:

- Clear definition of the responsibilities of the units involved in risk control
- Availability of sufficient human and technical resources to perform risk management and control functions effectively
- Adequate internal control systems
- Transparency in risk reporting

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 periodically, so that they can be adapted to economic and market circumstances, and are submitted to the Board of Directors for approval at least once a year. During 2014 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 membership of international bodies (EU, OECD) and credit ratings, and dynamic factors (market variables), such as a country's credit default swap levels. 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 methodology makes it possible to maintain stable risk exposures to countries and counterparties with good credit quality and to quickly readjust the exposure to countries and counterparties whose credit capacity 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 supervision of 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 monitoring of asset management to the Middle Office. Apart from ensuring that 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 events associated with the European financial crisis, in particular the pressures that have arisen around peripheral sovereign debt, through periodic reviews of risk limits, with the aim of reducing exposure to countries and counterparties that have suffered rating downgrades and an increase in the credit spread on their debt. This dynamic management of counterparty risk, coupled with a prudent approach to risk taking, has allowed the Group 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 centred on consolidating the new systems that have been implemented for monitoring risks, especially the market risks associated with transactions in financial markets, maintaining the flexibility to meet the challenges arising from any new activities that may be undertaken and implementing the appropriate measures, as and when required, to maintain the desired risk profile.

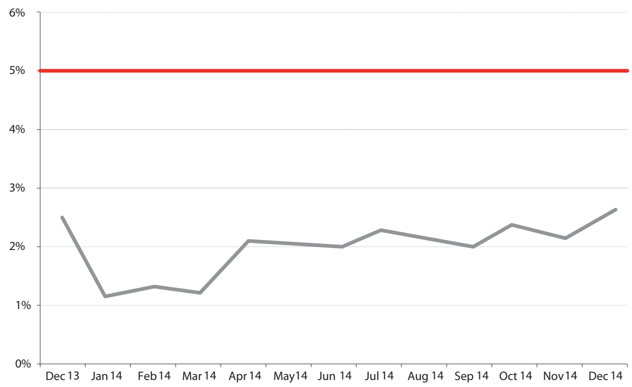
Interest rate risk

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 measures the Group uses to assess this impact are the sensitivity of net interest income to 100 basis point parallel shifts in the yield curve over a one-year horizon 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 low interest rate environment that has prevailed in recent years, the Group has maintained a positive exposure to movements in the yield curve, that is to say, the Group's net interest income would increase if the interest rate were to rise and decrease if the interest rate were to fall. Even so, at the current levels of interest rates this sensitivity is asymmetric and 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., assets tend to reprice faster than liabilities. This positioning is reflected in very short-term interbank lending and the holding of a fixed-income portfolio invested mainly in bonds with a return linked to 3- or 6-month Euribor or in fixed-rate bonds with short and medium-term maturities, although part of the portfolio is made up of long-dated fixed-rate bonds, which serve to generate additional margin and increase the duration of the balance sheet assets. A large proportion of these bonds are financed in the market with fixed-rate repos, which are used to cover the duration risk. During 2014 the Group also entered into futures contracts for the purpose of temporarily hedging the interest rate risk of fixed-rate bonds in the trading book, as well as 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.

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 2014 but was kept below this limit at all times, due to the chosen interest rate strategy and the balance sheet positioning.

Equity Sensitivity



Exchange rate risk

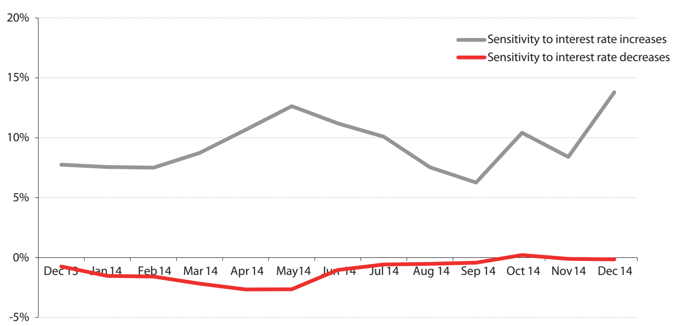
Exchange rate risk is the risk that movements in exchange rates will have an adverse impact on the market value of the Group's assets and liabilities denominated in currencies other than the euro. Spot and forward currency transactions are monitored on a daily basis to ensure that the open position in foreign currency is kept within the authorised limits. The overall open position at year-end was 0.028 million euros, while the overall limit for the net open position in foreign currencies is 6 million euros. The largest net short position during the year was -1.383 million euros and the largest net long position was 1.15 million euros.

Market risk

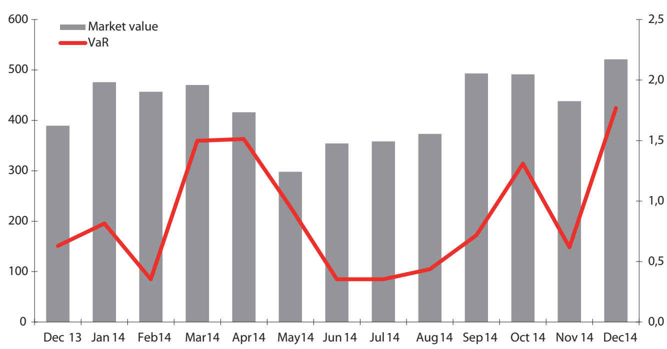
Market risk is the risk that changes in market conditions, such as asset prices, interest rates, market volatility and market liquidity will cause losses in the investment portfolio. The measure the Group uses to manage market risk in its investment portfolio is value at risk (VaR), as a general market standard, as well as 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 week with a confidence level of 99%, and the historical period used for the calculation is one year. During 2014, the average VaR calculated for the available-for-sale and trading portfolios was 0.89 million euros, with a maximum of 1.7 million euros and a minimum of 0.36 million euros, while the average position of the available-for-sale and trading portfolios was 465 million euros. Overall, the average net position of the Group's investment portfolio (which includes 225 million euros in hedging derivatives) was 1,025 million euros, while the average VaR was 0.61% of the average invested position.

Net interest income sensitivity at one year



VaR of available-for-sale and trading portfolios



6. Risk management

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 analysed. Four of them are historical (2010 Greek crisis, Lehman Brothers bankruptcy in 2008, 2001 terrorist attacks on the Twin Towers and 1998 Russian debt crisis), while 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). The most adverse scenario is selected and the impact it would have on the bank's capital is measured.

Credit risk

Credit risk is the risk that a counterparty will fail to meet its obligations, resulting in a loss to 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.

In assigning limits the Group takes a prudent approach and authorises exposure only to countries with a good credit rating and, within these countries, only to financial institutions that represent a moderate credit risk. Risk limits must be approved by the Board of Directors at yearly intervals, although in 2014 they were presented to the Board for approval on two occasions.

The limits granted are stricter for exposures to counterparties where there is no collateral as a guarantee. In such cases, the counterparty must have high credit quality, based on the ratings assigned by the main agencies (Moody's, Fitch and S&P), and be a moderate credit risk, relatively speaking, 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 2014, 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 2014, the Group's fixed-income portfolio benefited from the narrowing of the credit spreads of European financial and sovereign issuers. The longer-duration positions in the held-to-maturity portfolio showed significant increases in value, while some of the securities in the available-for-sale and trading portfolios were sold on the market at a capital gain. In the latter part of the year, a US sovereign bond portfolio (AAA rating) was formed to take advantage of the spreads against US interest rates and with the intention of taking advantage of the flows of liquidity in US dollars from the balance sheet liabilities. As regards credit risk, the fixed-income portfolio is 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 used to hedge the risk of customers' structured deposits, which the Group holds on its balance sheet although the risk has been transferred to the customers. Below is a breakdown of the fixed-income portfolio by issuer credit rating (in thousands of euros):

	Fixed-income portfolio		
Rating	With exposure to the risk of the issuer or guarantor	With risk transfer to customers	Total
AAA	302,994	0	302,994
AA+ to AA-	297,121	0	297,121
A+ to A-	117,222	0	117,222
BBB+ to BBB-	384,858	0	384.,58
Investment grade	1,102,195	0	1,102,195
BB+	13,727	2,613	16,339
B+	392	0	392
Speculative grade	14,119	2,613	16,731
Total	1,116,313	2,613	1,118,926

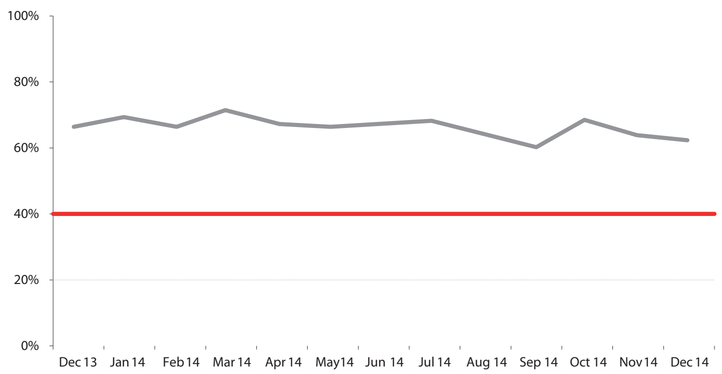
As regards the credit risk exposure arising from loans to customers, the Group has loans and receivables totalling 1,899 million euros, mainly in credit lines and loans, especially mortgage loans (801 million euros) and loans with pledged collateral (501 million euros).
Credit risk management is based on credit approval policies and authorities, exposure monitoring and committee supervision (Non-Performing Loans Committee and Board Risk Committee). Credit risk concentrations are reviewed on a weekly basis to check that they remain within the parameters set by the supervisor, establishing 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 as appropriate. 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 non-performing loans ratio is 3.57%, which is below the average for financial institutions in neighbouring countries. During 2014 the Group maintained a conservative provisioning policy and the NPL coverage ratio increased from 58.38% to 67.68%. Moreover, fully provisioned non-performing loans totalling 4.2 million euros were regularised during the year.

Liquidity risk

Liquidity risk is the risk that the Group will at some time or other be unable to meet its payment obligations, whether arising from the maturing of deposits, drawing of committed credit lines or margin calls on collateralised borrowings, among other things. 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. Equity growth through new share issuance and retention of earnings has been an additional source of funds in recent years.

Liquity Risk



One of the measures of short and medium-term liquidity used by management is the residual maturity of the Group's balance sheet assets and liabilities. 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 100 million euros of cash available within one day and an additional 100 million euros of cash and highly liquid investments available within one week. Middle Office supervision includes daily monitoring of positions to be financed through repo.

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 2014 was 65.58% and the liquidity ratio at year-end was 61.41 %.

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.

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. The Group has therefore 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 associated with the perceptions the Bank's various stakeholder groups have of the Bank, which can have an adverse impact on results or the businesses' development prospects. It includes, among other things, legal, economic, financial, ethical, social and environmental issues.

Various departments of the Group are involved in managing reputational risk, including: Regulatory Compliance, Legal, Internal Audit, Quality and Middle Office.

Prevention of money laundering and terrorist financing

Having an anti-money laundering and anti-terrorist financing system and a sound, risk-based customer acceptance policy is a strategic objective for the Bank.

The Bank has a model which is continuously being adapted to the latest local and international regulations and which is articulated through three agents: the Compliance Department, the representatives to the Financial Intelligence Unit (UIF) and the Compliance Committee.

During 2013 the Compliance Department took the necessary measures to fully adapt the units to Law 20/2013 of 10 October on the prevention of money laundering and terrorist financing.

Furthermore, the Bank has computerised systems for detecting suspicious transactions and cross-checks the database of customers, principals and beneficiaries against international watch lists of people who may be involved in money laundering or terrorism.

Investor protection

The Bank's commitment to its customers has two fundamental dimensions: long-term value creation and maximum information transparency. For this purpose the Bank has appropriate procedures in place to ensure compliance with the requirements established by Law 8/2013 of 9 May on the organisational requirements and operating conditions of financial system operating entities, investor protection, market abuse and financial collateral arrangements.

These procedures allow the Compliance Department to manage possible conflict of interest situations and the incentive policy effectively, ensure best execution and safeguarding of assets and allow the establishment of controls against market abuse, etc.

Knowledge management and training

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

Incidents and complaints

The Bank has an advanced incident management model, through which the Quality Department channels all complaints that customers submit to the Bank through the various communication channels. This department's objective is to achieve speedy resolution of all incidents.

Ethical principles and standards of conduct
The Bank has incorporated ethics as part of its culture and corporate values. For this purpose it has a corporate code of ethics, which is communicated to all professionals and is available on the Bank's intranet.

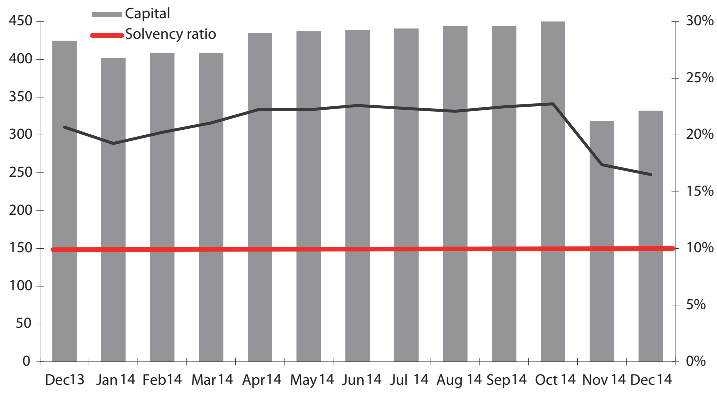
Capital management

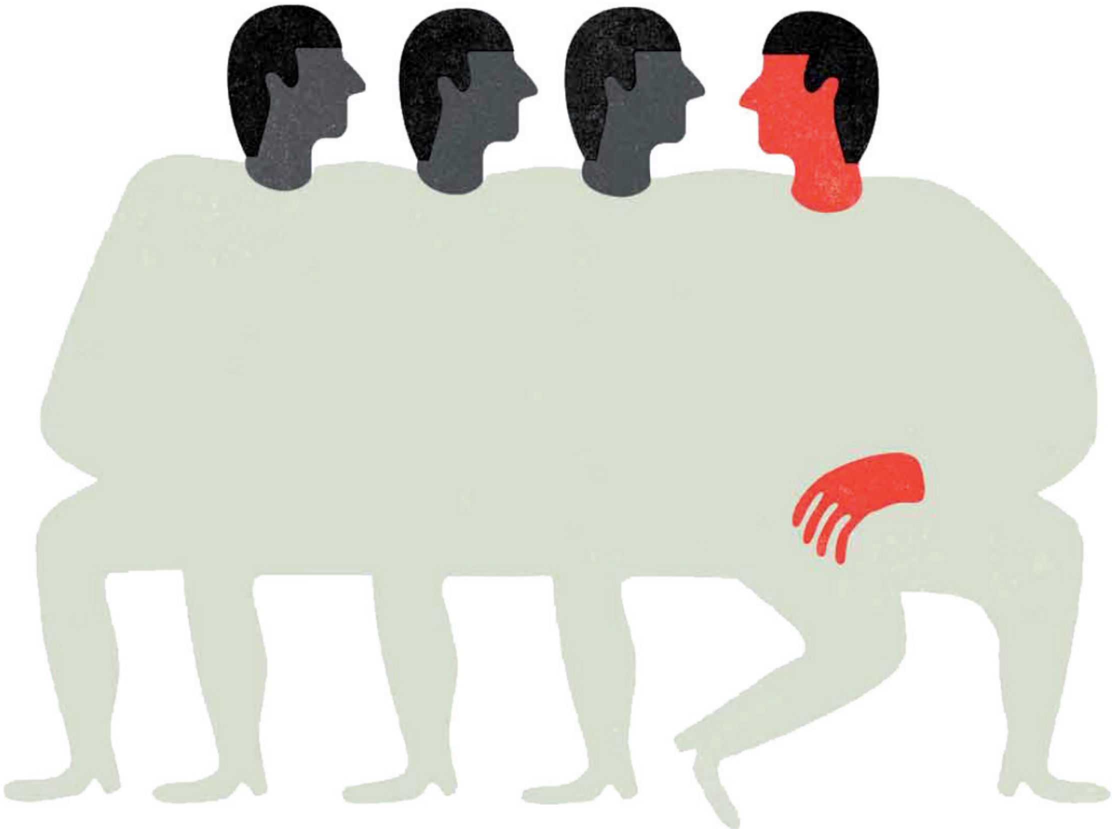
Capital management is based not only on preserving a minimum capital ratio that is sufficient to support current and future business activities and that meets the supervisor's requirements, but also on maintaining a level of capital that positions Andbank among the most solvent financial institutions. The Group's high solvency conveys a high level of confidence and security to customers, the financial institutions with which Andbank does business and all stakeholders in general.

At the end of the year the Group's solvency ratio was 16.51 %, almost 65% more than 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 332.12 million euros and the Group had a capital surplus of 148.74 million euros. The core capital ratio was 16.86 % and core capital net of intangible assets amounted to 346.04 million euros.

Within the framework of the capital requirements agreed by the Basel Committee for Banking Supervision in 2010, the new capital rules started to apply from 1 January 2013. From 1 January 2014, banks are required to hold capital (core equity) of at least 4.0%, increasing to a minimum of 4.5% from 1 January 2015. Similarly, from 1 January 2014 the minimum Tier 1 ratio is set at 5.5%, rising to 6.0% from 1 January 2015. In addition, banks will be required to maintain a capital conservation buffer of 2.5% and, depending on the circumstances, an additional anticyclical buffer of up to 2.5% of capital. As a consequence of the above, from 1 January 2019 the total minimum capital ratio must be no less than 10.5 %. In this more stringent regulatory environment as regards minimum capital requirements, the Andbank Group is in a strong solvency position.

Level of adjusted capital and solvency ratio





7. Social Responsibility Report

It is the Andbank Group's firm belief that a company's first responsibility is to create wealth honestly and sustainably. We therefore know that in all our business decisions and actions we must give due consideration to the three pillars of sustainability: economic progress, sociocultural progress and environmental progress.

As a company, we aim to be socially responsible, applying the right ethical standards and showing consistency. This commitment, which entails a very direct, very attentive relationship with all the people in the company, requires a consensus among all the parties, as well as innovative communication policies that foster contact and participation in decision making in all areas of the company, so as to promote sharing of responsibility between the various levels of the organisation and trust in Andorra's business enterprises.

Our corporate social responsibility is driven by a deep awareness of interconnectedness, so that we think not only in terms of processes but also in terms of their consequences. This awareness is a key part of our corporate culture, which is founded on the principles of our corporate mission, our vision as a company and the corporate values that define us as an organisation whose aim is to create value for our stakeholders, adopting an approach to management and a way of proceeding that is based on service excellence.

Our clients are the focus of all our financial activity and the ultimate reason for our existence as a business. We must therefore safeguard our clients' interests and satisfy their most pressing needs. To accomplish this objective, our account managers and specialists are constantly searching for the best products, so as to be able to offer the best solutions.

The Bank's presence in 11 countries demonstrates its firm commitment to international growth. Andbank's ambition to be recognised as the best private banking group, based on the good work done by its subsidiaries in each country, relies on solvency and innovation in banking operations.

In 2014, Andbank was singled out by the prestigious financial magazine The Banker as the Best Andorran Bank and the Best Private Bank, in recognition of its bold pursuit of international growth. This is the first time both awards have gone an Andorran bank in the same year.

Our group constantly seeks to act in the way that will bring most benefit to those of its stakeholders who are most significantly affected by the business. We must therefore take all our stakeholders into account: clients, shareholders, employees, suppliers and society at large, in all the jurisdictions in which Andbank is present. We must aim to maintain a close relationship and full involvement with them, so as to know them better and actively contribute to their development.

By maintaining this relationship and involvement with society in general and each country in particular, Andbank seeks to always do what is best and adds most value to its members.

Andbank's social and cultural engagement

One of the measures of a society's development is the level of social welfare. Andbank has contributed to improving this measure by providing support to other organisations whose mission is to help people with few resources. The Dames de Meritxell trust is one of them. This non-profit women's association, created in 1972, currently manages the Meritxell nursery school and the Nostra Senyora de Meritxell special needs school.

In collaboration with the trust, Andbank organised a talk on positive emotions and well-being, given by the respected psychology professor and author of various publications on the subject Dr. Enrique García Fernández-Abascal. Dr. García gave a talk on positive emotions, their importance and characteristics, and the advantages they offer in coping with the afflictions and problems that life brings. Andbank also donated more than 100 works from its private art collection to the Dames de Meritxell trust to raise funds through

Conference by Dr. Enrique García Fernández-Abascal

a charity sale. The proceeds will be used to finance the trust's projects.

Andbank provides unconditional support to culture, which it considers one of the foundations of cohesion in society. As part of its annual collaboration with the French embassy, Andbank brought one of France's best-known singers, Patricia Kaas, to give a recital in homage to Edith Piaf in commemoration of the 50th anniversary of the legendary singer's death. And in collaboration with the Spanish embassy a song recital was given by young musicians from Barcelona's Liceu conservatory. The soprano Paula Sánchez and the tenor Roger Quintana, accompanied by the pianist Manuel José Ruiz Segarra, performed pieces from the zarzuelas Luisa Fernanda and La Taberna del Puerto, from the opera La Traviata and from the musicals The Wizard of Oz and West Side Story.

The winers of the 37^{th} Literary Evening Awards

As each year, during the 37th Literary Night held annually by the Cercle de les Arts i les Lletres, the results of the Manuel Cerqueda prize for the best short novel were announced. This year, given the low level of participation and the poor quality of the works submitted, the prize was not awarded.

Andbank supports gastronomy

One of the mainstays of every culture is gastronomy, where the focus is on the relationship between local culture and food, local cuisine, the preparation and composition of dishes and the art of gourmet dining. Andbank lent its support to the Andorran academy of gastronomy, whose mission is to research, practise and create awareness of Andorran cuisine and gastronomic products and activities, with the aim of maintaining and spreading popular traditions.

Academy of Gastronomy of Andorra and the Pyrenees Award-winners

In order to present the academy to Spanish audiences, a prize-giving ceremony was held in Barcelona, at which the winners of the first Andorra and the Pyrenees gastronomy prizes were awarded. The ceremony was attended by Mr. Rafael Ansón, president of the Spanish Royal Academy of Gastronomy, and members of the Catalan academy of gastronomy. This year's prize-winners were Rafael Ansón for the Promotion and Culture of Gastronomy, Ferrán Adrià for Art in Gastronomy, Valentí Fusté for Scientific Research and Eric Ripert, of the Le Bernardin restaurant in New York, as the most international Andorran.

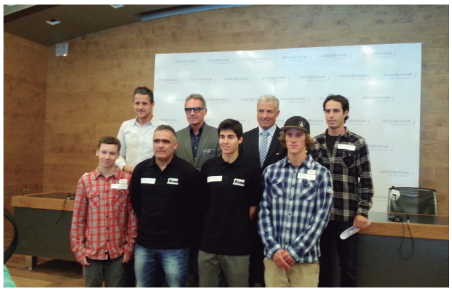
The association with gastronomy also prompted Andbank to collaborate with the series of food and wine matching events held in the gardens of the Park Hotel, where a magnificent selection of top wines and cavas were combined with excellent food, accompanied by a unique musical programme. L'Art & Vi put on a high-class display of food and wine, in which various Andorran distributors presented their top products.

Food culture is about more than just maintaining and spreading the local culture; it is also about knowing and sharing the cultures of other countries. Accordingly, Andbank invited the chairman of the ham slicers association, Emilio García Ortigosa, acknowledged by the Spanish Royal Academy of Gastronomy as one of the country's top ten ham slicers, to give a masterclass at the Bank's headquarters. The audience marvelled at his mastery of the art of ham slicing, as he regaled them with an expert account of the different types of Iberian ham, how it is produced and cured and how to recognise its flavours.

Andbank supports sport

Andbank's historic ties with the world of sport are well known. 2014 was a busy year for the Andorran Olympic Committee (AOC). The AOC's young sportspeople took part in the 2014 Youth Olympic Games in Nanjing, China, held in August. For the first time, Andorra took part with two 3x3 basketball teams and two swimmers. In the winter they travelled to Sochi, Russia, to compete in the 22nd Olympic Games.

Once again in 2014, Andbank sponsored the Andorran Skiing Federation's freestyle team. The Andbank Freestyle Team has achieved excellent results in all the competitions in which it has taken part.



Presentation of the freestyle team and cross-country skiing team

Continuing with skiing, the traditional annual veterans' ski race, organised by the Andorran Ski Club, was held in memory of Manuel Cerqueda. This 25th race was held on the slopes of the Arinsal sector, in Vallnord, with the participation of more than 50 skiers in the giant slalom category.

Golf continues to be one of Andbank's main sponsorships. 2014 was the year of the 14th

Andbank Golf Tournament

Andbank Golf Circuit, which included new competitions and a final that was fought out between the winners of the circuit event. One of the objectives of this tournament has always been to play on the most prestigious Spanish golf courses. In this year's circuit, the competitions were held at various courses in Spain, including the El Prat Royal Golf Club near Barcelona, which fired the starting gun for the tournament on 14 March, and the El Saler Golf Club in Valencia at the end of the circuit.

With more than 1,000 participants, the Andbank circuit was a great success with the golf-watching public.

Continuing with golf, Andbank once again collaborated with the Leo Messi Foundation golf trophy. Featuring more than 200 players, the competition took place at the Vallromanes Golf Club. The entire takings were donated to the foundation, whose mission is to help children and adolescents at risk in the areas of education and health.

Andbank and the business community

Andbank, together with other Andorran financial institutions, promotes initiatives in the business community. Most notably, it helps to organise the Family Business Forum. Under the title "What's next?", the 13th Family Business Forum was attended by a large sector of Andorra's family business owners and managers. The main theme was the new paradigms in company management and the business opportunities in Andorra.

The Empresa Familiar Andorrana (EFA) association invited top-class speakers to speak at the one-day event, including Mr. Luis Conde, founder of Seeliger y Conde, a company that specialises in succession processes in large corporations; Mr. Simon Dolan, a professor at ESADE; Mr. Joaquín Serra, Senior Executive Vice President of Natura Bissé; and Mr. Luis Cantarell, Executive Vice President of Nestlé SA, Europe, Middle East, North Africa.

One of the most sought-after speakers was our macroeconomics expert, Àlex Fusté. During 2014, the now traditional lunches were held at the Bank's headquarters, at which Fusté commented on and debated the world economic and financial situation. For the second year running, Fusté attended IAE Business School in Buenos Aires as an invited guest, to give a lecture that was attended by more than 70 people. He also travelled to Panama to take part in the 2014 Latin Investors Summit. The main purpose of this summit is to explore key aspects and issues concerning best investment practices. Fusté also gave several talks in Barcelona and Madrid. In Madrid he took part in the roundtable discussion on "Keys to the success of our family firms in Latin America", organised by Casa de América.

Lastly, inter-company collaboration is another aspect of the corporate relationships and partnerships through which the Andbank Group companies seek to add value to their stakeholders. In Barcelona, in collaboration with the company Oblyon, a collection of antique jewellery was presented under the name "Arqueojoya". These meticulously designed pieces of jewellery are fully hand-made, using antique objects dating from the 4th century BC to the 2nd century AD.

Andbank shows solidarity

Created in 2007, the Andbank Employees Solidarity Association (ASCA) once again joined forces with Andbank to put solidarity into practice by altruistically giving publicity and providing 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" programme, which is designed to help children whose life depends on having access

Àlex Fusté at the conference organized by *Casa de América*

Rotary Club of Andorra

to highly complex medical and surgical treatment. There are also other projects that have turned into regular campaigns, including the collaboration with the La Gavernera children's home, the campaign to collect food and equipment for needy families in Andorra, the campaign to collect plastic caps that can be exchanged for specialised chairs, and the "Vi solidari" campaign, involving seven wineries in the town of El Masroig in the Priorat region, together with various wine sector companies, the proceeds of which are donated to the Sant Joan de Déu Hospital. ASCA also took part in the 3rd Andorra–Ouzina (Morocco) Solidarity Raid, transporting hygiene goods and school materials to their destination.

During 2014 Andbank collaborated with the Andorran Association for Veterinary Aid to East Africa (Daktari), which delivers veterinary services to communities near the protected areas of South-West Uganda and the Virunga National Park in the Democratic Republic of the Congo. Aside from the strictly veterinary project and the project to provide training in veterinary medicine, Daktari also provides complementary solutions to problems such as access to water and the reduction of conflict between local communities and predators.

As part of its solidarity projects, 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 subsidise the club's solidarity projects in Andorra.

Other Andorran NGOs Andbank works with include AINA and Caritas. The collaboration with AINA in the publishing of the songbook helps to fund grants for young children whose families lack economic resources. The annual contribution to Caritas Andorra is intended to support Caritas's projects and promote its work.

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 the borders of Andorra and involves maintaining close relationships and close involvement with companies and society in general in all the jurisdictions in which the Bank is present.

Various actions were taken in 2014, 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.

Ricard Tubau and Xavier Trias at the CEO-CF Meeting

Andbank took part in various conferences and talks, including the 4th IFAs and Financial Agents conference, the 4th Private Banking conference and colloquia organised by various bodies in Spain. The Andbank Group also sponsored the 2014 CEO-CF Meeting, which is organised 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 training, Andbank Bahamas took part in a graduation programme led by Bahamas Press. This programme offers the best students the possibility of doing their final year internship in a bank. The two selected students have been working closely with the team of private bankers and the regulatory compliance and risk areas for several months, with a view to acquiring as much experience as possible across the full range of operational issues and meetings with clients.

Andbank and training

During 2014, despite the economic situation, which remains generally unfavourable, Andbank continued to create employment. In total, it hired 311 people, who have been offered the means to develop their abilities and skills, on the understanding that this will further their career in the Bank.

Training and professional development for all employees
Andbank invests in training its employees in order to promote their professional development and foster continuous improvement and enhanced operational efficiency in the Bank. In 2014, a total of 438 people received training, representing 5,569 hours of training.

The training was delivered both face-to-face and online, through the Andbank Campus. The trainings given were:

- Specific Business Training.
- Specific Regulatory Compliance Training.
- Financial Training.

8. 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.

Jordi Comas Planas
Chief Executive Officer

Pere Grau Hoyos
Director representing CEDO, S.A.

Manel Ros Gener
Director

Xavier Santamaria Mas
Director

Josep Sansa Torres
Secretary (non 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

Organisational Structure

Josep M. Cabanes Dalmau
Chief Andorran Bussiness Officer

Josep X. Casanovas Arasa
Chief Risk Officer

Jordi Checa Gutés
Chief Resources Officer

Víctor Dorado González
Chief Legal Councel

Àlex Fusté Mozo
Chief Economist

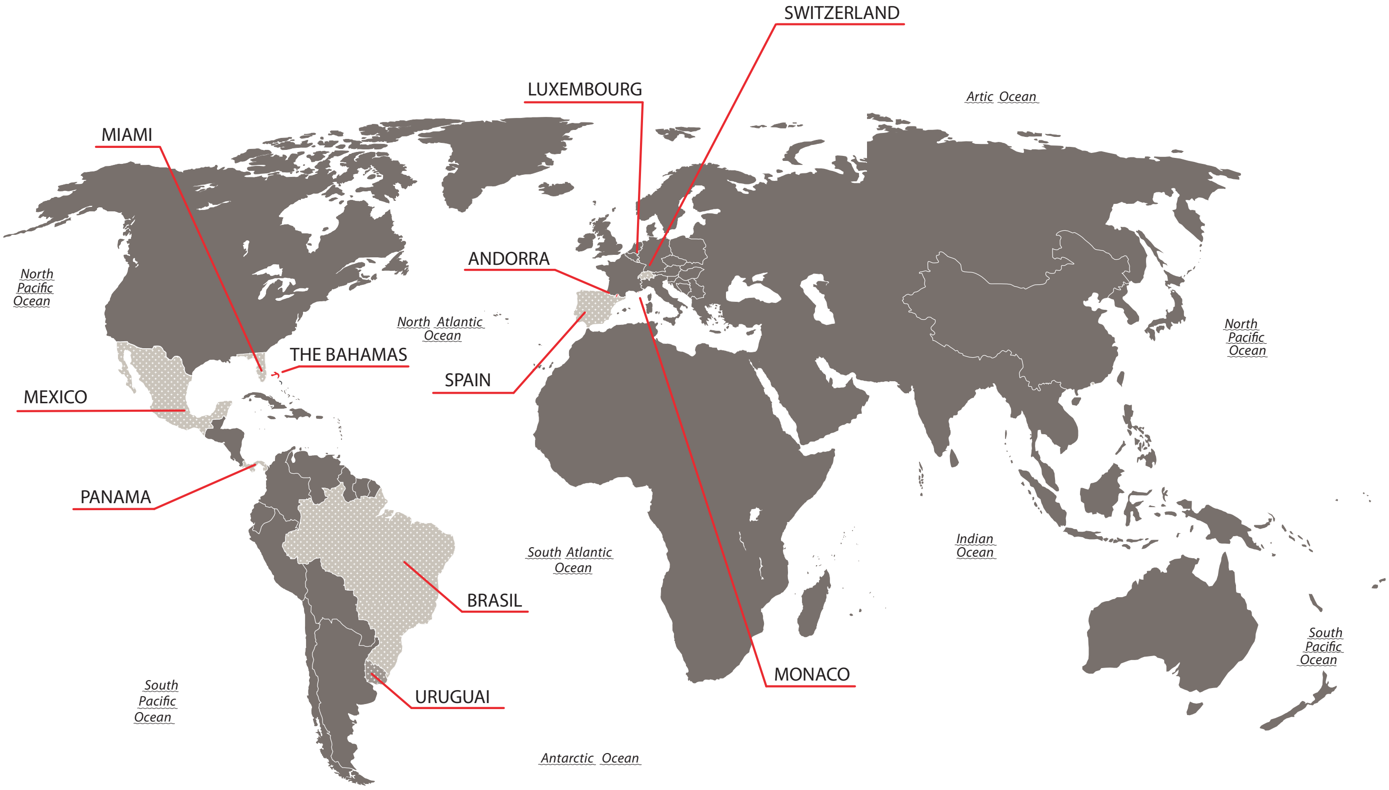
Josep García Nebot
Chief Global Wealth Planning Officer

Ángel Martínez Belmonte
Chief Information Technology Officer

Sergi Pallerola Gené
Chief Private Banking
and Business Support Officer

Galo Juan Sastre Corchado
Chief Compliance Officer

9. Locations and Addresses



9. Locations and Addresses

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