

Andbank Group - Wealth Meets Innovation

Andorra's solid macroeconomic fundamentals leave it extremely well-positioned to survive the Covid-19 crisis, with GDP growth expected to rebound to 4.3% next year. Recovery will be supported by its robust banking sector, a cornerstone of the economy accounting for more than 20% of GDP. Private banks in particular are set to drive future growth, most notably Andbank Group, which has been active in the country since 1930 and knows how to survive economic ups and downs.



Ricard Tubau Roca
CEO - Andbank Group

Though it is based in Andorra, Andbank Group is a truly international conglomerate: it holds five banking licenses and has a presence in 12 countries, with 39 offices spread around the world, from Miami to Monaco to Zurich. Its portfolio comprises six wealth managers, five fund managers, and three brokerage firms, and it employs 1055 people from 37 different nationalities. In private banking, it has developed a reputation for high-quality discretionary management, comprehensive advice, real estate, and investment services. Likewise in asset management, where the company focuses portfolios on preserving capital and calibrating investments to extract the maximum potential with minimal risk.

CEO Ricard Tubau, a graduate of Harvard Business School, seasoned banker and former Partner in Boston Consulting Group considers the bank has been successful over the years because it has focused on innovation, underserved segments of the market, and adopted a forward-thinking approach that sets it apart from competitors in Switzerland and other places.

"We're competing against great rivals - Swiss banks - but we offer an alternative: a European-based, regulated private bank that specifically follows MiFID rules. We're investing much more in developing our digital solutions, so clients can check and verify their financial information, as well as carry out transfers or buy and sell securities. This is very unusual in Switzerland. Finally, we're more focused

on an onshore strategy serving the upper-affluent demographic, whereas our Swiss competitors are mostly focused on ultra-high net worth individuals. We believe some of the affluents of today will be the wealthy of tomorrow, and as a bank we're ready to grow with them," he explained.

The strategy is paying off, and 2019 was a good year for the group, reaching a record volume of AuM - nearly €24 billion. By the end of the year the group had a liquidity coverage ratio of 267.33%, and a non-performing loan ratio of just 2.93%. Return on investment averaged 5.4% in 2019, and return on tangible equity stood at 14.33%. Core capital levels, meanwhile, stood at €537 million, and the group's Tier 1 capital ratio on a fully phased in basis reached 14.95%.

Its Spanish division performed particularly well: Andbank Spain hit a record business volume of more than €10.5 billion, while consolidated profits rose by 38% y-o-y to hit €10.9 million, pushing it to become the eighth-largest private banking franchise in Spain.

Fitch Ratings recognised the group's good results and strong capital and liquidity levels, affirming Andbank's long-term rating at BBB in April 2020 on the strength of its low problem assets ratio, consistent profitability, and ability to take advantage of a higher scale of AuM volumes outside of Andorra, because it developed its international footprint earlier than its peers. Earlier in 2019, Fitch had praised the group's high asset quality, strong capitalisation, and resilient

business model.

Next up, in addition to its focus on innovation to better serve clients in a rapidly evolving global reality, Andbank plans to also increase its attention to alternative investments and private equity tailored to upper affluent clients. Tubau argues there are many untapped opportunities for investors seeking strong and stable returns:

"We do tickets in the range of €200,000 to €500,000 and seek alternative assets that behave like fixed income. What we're looking for is something offering returns that fixed income no longer offers, for example student residential housing, parking, and energy. This is important, as we will probably be in a negative interest rate environment for the next 20 years."

As it moves to meet the challenges of a Covid world, Tubau asserted that he expects the bank will continue building on 90 years of successful operations:

"We in Andbank are concentrating on consolidating our presence where we are right now, as there is still a lot of space to grow. In Brazil or Spain, for example, even though the latter is a mature market. In 2012 we didn't exist in Spain, and in eight years we went from zero to nearly €11 billion in assets. Now we've surpassed Deutsche Bank and Credit Suisse, which have been there for 20 years."

A clear way ahead ...

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