MORABANC

2014

Annual Report

2014
Annual Report

MORABANC

Contents

Letter from the Chairmen

"Being from a small country implies a major commitment to compete with the global players, thus, we need to work harder on being more solvent, more solid, and more secure. As a family bank with more than 60 years of history, we have no doubt that our vision is always going to be long-term, and our priority the security and tranquillity of our clients."

Our focus in 2014, as in other years, has been soundness. And this is what has determined our course and strategy, along with a firm commitment to our clients, staff, and society. As a result, we were rated the twentieth most solid bank in the world by the Financial Times' magazine, *The Banker* (July 2014 edition based on BIS 31/12/2013 data).

For the last three years, the words "Keep calm" have appeared in our advertising campaigns. But it is a concept that goes way beyond just an advertising phrase. It is a real message that is backed with real data, like an A- long-term credit rating from Fitch Rating, solvency and liquidity ratios of 27.4% and 68.9% respectively, and an optimal bad debt ratio of 63% (2014).

Soundness is a value we share with our country, Andorra. According to data from the Chamber of Commerce, Industry, and Services, the Principality's GDP rose in 2014 for the first time in seven years, generating net employment. Numbers that bode well for the future. Andorra is concluding its process of economic modernisation, ratifying its tax system, and continuing on the road to transparency. It is the right course for a small European country that needs to provide its citizens and companies with opportunities in new markets.

Being strong in Andorra has over the last few years given us the opportunity to continue consolidating our strategy, enabling our subsidiaries to look for new opportunities and at new projects that round off and diversify our business.

The 2014 report leaves us with satisfactory numbers (profits of 40.2 million euros and a ROE of 12.8%) as well as with increased client funding. This year, we have set aside part of the annual profit for bolstering the Bank's solidity and solvency. A small step back to enable us to perform better and to go further. The commitment we have to our clients goes beyond the results of a single year; we are a family bank that focuses on the long term, and these days solidity is the best guarantee for the future that we can offer our clients, along with excellence in our service.

2014 also brought a change in management, with Pedro González Grau taking over from Gilles Serra as CEO for what should be a new era of MoraBanc growth and diversification, and the continuation of our inexorable commitment to Andorra. His leadership, together with that of the Group's team of professionals, should help us to do our job better each day, to set our products and services apart, and to offer our clients excellence.

We would also like to highlight the creation over this last year of a new line of business under the brand name, Amura Capital, which has enabled the MoraBanc Group to participate in some large deals that have had significant repercussions on a European scale, such as the restructuring of Colonial, and also in innovative and exceptional investments, such as Formula E and the acquisition of Casa Vicens, Gaudí's architectural jewel that we will be turning into a museum in Barcelona.

At MoraBanc, we continue on our course, confidently, securely, seriously, and solvently, so as to be the best bank for our clients.

FRANCESC MORA SAGUÉS
Chairman of Mora Banc Grup, SA

JORDI MORA MAGRIÑÀ
Chairman of Mora Banc, SAU

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BOARDS OF DIRECTORS AND EXECUTIVE COMMITTEE

Boards of directors

MORA BANC GRUP, SA

Joan Mora Font	Honorary Chairman
BOARDS OF DIRECTORS	
Francesc Mora Sagués	Chairman of the Board
Lluís Àlvarez Mora	Director
Òscar Aristot Borràs	Director
Mora Fills, SA	Director (represented by Jordi Mora Magriñà)
José María Hoya García	Director
Gilles Serra	Director
Pedro González Grau	Chief Executive Officer
Marc Vilallonga Puy	General Secretary and Secretary to the Board

MORA BANC, SAU

Mora Fills, SA	Chairman of the Board (represented by Jordi Mora Magriñà)
Lluís Àlvarez Mora	Director
Òscar Aristot Borràs	Director
Francesc Mora Sagués	Director
José María Hoya García	Director
Gilles Serra	Director
Pedro González Grau	Chief Executive Officer
Marc Vilallonga Puy	General Secretary and Secretary to the Board

Mora family

Members of Mora family at Boards of directors

1 **FRANCESC MORA SAGUÉS** | Chairman of Mora Banc Grup, SA
2 **JORDI MORA MAGRIÑÀ** | Chairman of Mora Banc, SAU
3 **LLUÍS ÁLVAREZ MORA** | Director
4 **ÒSCAR ARISTOT BORRÀS** | Director

Executive Committee

1 **RUBÉN AÍSA GARCÍA**
Legal Advice

2 **FERNANDO LÓPEZ CEREIJO**
Deputy General Manager | Finance and Resources Area

3 **IGNACIO BAIGORRI PÉREZ-FONTÁN**
Deputy General Manager | Mora Wealth Management

4 **JOAN CARLES SASPLUGAS VILAGUT**
General Manager - Andorran Business Unit

5 **PEDRO GONZÁLEZ GRAU**
Chief Executive Officer

6 **GISELA VILLAGORDO ESCOLÀ**
Risk Management

7 **MARC VILALLONGA PUY**
Secretary to the Executive Committee

8 **LLUÍS ALSINA ÁLVAREZ**
Strategy

9 **IVAN COMERMA POZA**
Investment Banking

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THE MORABANC GROUP

MoraBanc is an internationally-oriented banking group which aims to meet its customers' needs and satisfy their expectations by means of creating value and championing quality as its competitive edge.

MoraBanc's goal is to be the best Bank for our customers and the best employer for our employees, striving to offer a service incorporating cutting-edge technology and to become a reference in the world of banking.

Founded in 1952, MoraBanc is a banking group with 100% family-owned and Andorran capital belonging to the founding family. The MoraBanc Group is present internationally via asset management service Mora Wealth Management, with offices in Zurich (Switzerland) and Miami (US). In line with the Group's growing internationalisation, MoraBanc has established a financial advisory service in Montevideo (Uruguay), a broker-dealer in Miami (US), Mora WM Securities and a representative office in Dubai (UAE). 2014 will see us make a step towards fulfilling our international strategy, with the opening of a fund management company in Luxembourg, Mora Asset Management Luxembourg.

The Commercial Banking Sector

Commercial banking specialises in offering banking services to both individuals and companies in order to provide the most suitable products and services for each of its customers. To be able to offer a personalised service to each individual customer and provide them with the products required, we have also created 'territories', allowing our value proposition to be adapted to different customer profiles.

Private Banking and Wealth Management

Private Banking and Wealth Management are the MoraBanc Group's main activities and our *raison d'être*.

Our philosophy is based on four key pillars:
- Mutual trust
- Confidentiality
- The ability to offer professional and expert advice
- The designing of solutions to meet our customers' needs and goals.

Mora Wealth Management Andorra offers more sophisticated management of our customers' assets.

MoraBanc Asset Management

MoraBanc Asset Management covers all of the activities comprising third-party discretionary management, as well as management of instructions tailored for its Private Banking and Wealth Management customers and a varied and competitive range of investment funds.

Investment Banking MoraBanc Real Assets

Real Assets is MoraBanc's investment area offering clients operations linked to the real economy. They are projects selected by MoraBanc and in which shareholders and the Bank invest alongside clients.

Amura Capital is the vehicle for these investments; with a private equity profile, its strategy is to invest in companies based on its long-term view. It aims to be an active shareholder throughout the life of the investment, and to provide and encourage added value, very much in a management role. Amura Capital invests in unique projects, and offers MoraBanc's clients the opportunity to participate.

MoraBanc Insurance

MoraBanc Insurance offers a wide range of insurance spanning life, accident and health policies.

It also provides life insurance and unit-linked products via MoraBanc UnitLinked Funds, MoraBanc UnitLinked Portfolios or MoraBanc UnitLinked Assets, according to the related activities.

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AN INTERNATIONAL VOCATION: MORA WEALTH MANAGEMENT

Montevideo | Uruguay

Zurich | Switzerland

Miami | US

Dubai | UAE

Andorra la Vella | Andorra

Luxembourg | Luxembourg

The **MoraBanc Group** has been present outside Andorran borders since 2008, and has also made headway into new international markets via **Mora Wealth Management**, with branches operating in Zurich (Switzerland) and Miami (US), based on:

- A multi-custody model, with independent advisory services as the established rule of conduct.
- A detailed analysis of the customer's cost structure with their custodian Bank in order to harness its full potential.
- The provision of advice by a first-rate group of professionals offering financial consulting tailored to each customer.
- A transparent model, both in terms of the advisory service provided and costs, with the aim of becoming a future leader in the industry.

MoraBanc has also been present in Montevideo (Uruguay) since 2012, when it opened a **financial advisory service**, and in Miami (US), with its broker-dealer, **Mora WM Securities.**

In 2013, MoraBanc inaugurated a representative office in Dubai (UAE), under the name **MoraBanc Middle East** and in 2014 it is set to open an assets management service in Luxembourg, **Mora Asset Management Luxembourg.**

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MORABANC GROUP HIGHLIGHTS

MoraBanc Group highlights

CONSOLIDATED FIGURES	2014	2013
Balance sheet (Thousands of Euros)		
Assets under management	7,283,944	6,705,330
Total assets	2,296,777	2,165,246
Due from financial intermediaries	550,235	662,095
Lendings	1,077,883	935,382
Investment securities	514,559	421,501
Customer deposits	1,855,558	1,689,057
Shareholder's equity	307,083	297,925
Income statements (Thousands of Euros)		
Net interest income	22,938	23,902
Gross operating income	136,305	111,747
Net operating income	75,351	49,664
Profit for the year	40,187	42,375
Key ratios (%)		
ROE (net profit/average equity)	12.8%	14.1%
ROA (net profit/average total assets)	1.8%	1.9%
Cost-income ratio (operating expenses/gross operating income)	38.6%	43.6%
Risk -weighted capital ratio	27.4%	33.5%
Other figures		
Number of employees	368	341
Number of branches	9	9
Rating fitch		
Long term	A-	
Short term	F2	
Financial strength	a-	

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AUDIT REPORT

Deloitte.

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Translation of a report originally issued in Catalan. In the event of a discrepancy, the Catalan-language version prevails (see Note 33 of the accompaning notes to the consolidated financial statemtns).

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Mora Banc Grup, SA:

Audit report on the Financial Statements

We have audited the financial statements of Mora Banc Grup, SA ("the Bank") and other companies comprising MoraBanc Group ("MoraBanc Group"), which comprise the consolidated balance sheet as at December 31, 2014 and the consolidated income statement, the consolidated memorandum accounts, the consolidated statement of source an application of funds and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Financial Statements

The Bank's directors are responsible for preparation and fair presentation of the accompanying consolidated financial statements, so that they present fairly the consolidated equity, the consolidated financial position and the consolidated results of MoraBanc Group in accordance with the regulatory financial framework applicable to the grup in Andorra, identified in Note 2, and for such internal control the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying 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 the 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 the auditor's judgement, 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, the auditor considers internal control relevant to the preparation and presentation by the Bank's directors 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

Deloitte Andorra Auditors i Assessors, S.L. Inscrita en el Registre de Societats Mercantils d'Andorra. Núm. Registral de la Societat 13298. Llibre 5-186
Fol: 81-90. N.R.T. L-708451-A. Domicili Social: Bonaventura Armengol, 10. Edifici Montclar, Bloc 1. Planta 1era. Despatx 4. Andorra la Vella

Audit Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Mora Banc Grup, SA and other companies comprising MoraBanc Group as at December 31, 2014, and the consolidated results of its operations and the consolidated sources and applications of funds for the year then ended in accordance with the regulatory financial framework applicable to the Andorran financial system entities and in particular, with accounting principles and standards enclosed.

DELOITTE ANDORRA AUDITORS I ASSESSORS, S.L.

Francisco Ignacio Ambrós

March 27, 2015

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CONSOLIDATED FINANCIAL STATEMENTS

MoraBanc Group

*Consolidated balance sheets as of December 31, 2014 and 2013**

Translation of consolidated financial statements originally issued in Catalan and prepared in accordance with generally accepted accounting principles in Andorra (see Note 33). In the event of a discrepancy, the Catalan-language version prevails.

ASSETS	2014	2013*
Cash on hand and due from OECD Central Banks	**23,404**	**21,401**
Due from INAF (Note 5)	**210**	**210**
Due from financial intermediaries (Note 6)	**549,893**	**662,010**
Banks and credit institutions	548,232	659,915
Other financial intermediaries	2,003	2,180
Less - allowance for credit losses	(342)	(85)
Lendings (Note 7)	**1,050,926**	**928,106**
Loans and credits	1,065,361	918,856
Customer overdrafts	5,864	10,726
Customer bill portfolio	6,658	5,800
Less - allowance for credit losses	(26,957)	(7,276)
Investment securities (Note 8)	**513,111**	**420,396**
Debentures and other fixed-income securities	360,487	394,826
Less - allowance for credit losses	(1,448)	(1,105)
Investments in group companies	12,319	12,075
Other investments	108,201	35
Less - security price fluctuation allowance	-	-
Common stocks and other equity securities	7,391	4,583
Investment funds	26,161	9,982
Consolidated goodwill (Note 9)	**9,771**	**3,422**
Intangible assets and deferred charges (Note 10)	**8,746**	**10,338**
Goodwill	800	800
Intangible assets and deferred charges	86,024	80,643
Less - accumulated amortization	(78,078)	(71,105)
Property and equipment (Note 11)	**107,468**	**101,145**
Property and equipment	158,191	149,100
Less - accumulated depreciation	(41,140)	(38,561)
Less - allowance for decline in value of property and equipment	(9,583)	(9,394)
Accrual accounts (Note 12)	**16,268**	**11,352**
Uncollected accrued interest	10,750	9,487
Prepaid expenses	5,518	1,865
Other assets	**16,980**	**6,866**
Current transactions	6,157	2,676
Inventories	185	213
Options purchased	53	420
Other	7,270	2,285
Taxes (Note 20)	3,315	1,272
TOTAL ASSETS	**2,296,777**	**2,165,246**

** Presented exclusively for comparison purposes.*
The accompanying Notes 1 to 33 are an integral part of the consolidated financial statements as of December 31, 2014.

Thousands of Euros

Translation of consolidated financial statements originally issued in Catalan and prepared in accordance with generally accepted accounting principles in Andorra (see Note 33). In the event of a discrepancy, the Catalan-language version prevails.

LIABILITIES AND EQUITY	2014	2013*
Due to INAF (Note 13)	**2,073**	**26,297**
Deposits	**1,879,745**	**1,708,145**
Banks and credit institutions (Note 14)	24,187	19,088
Customer deposits (Note 15)	1,855,558	1,689,057
Debt securities	**-**	-
Provisions for contingencies and expenses (Note 16)	**12,902**	**12,875**
Provisions for pensions and similar obligations	7,699	10,415
Provisions for futures	557	145
Other provisions	4,646	2,315
General risk allowance (Note 17)	**2,981**	**-**
Subordinated debt (Note 18)	**56,675**	**59,513**
Accrual accounts (Note 19)	**12,070**	**33,464**
Unpaid accrued expenses	11,806	12,614
Unearned revenue	264	20,850
Other liabilities	**23,250**	**27,029**
Current transactions	15,716	18,892
Options issued	160	422
Trade and other accounts payable	202	990
Taxes (Note 20)	7,172	6,725
Minority interests	**(2)**	**(2)**
Capital stock (Note 21)	**42,407**	**42,407**
Capital stock	42,407	42,407
Reserves (Note 21)	**249,489**	**238,143**
Legal reserve	14,913	14,913
Guarantee reserves	20,817	19,413
Voluntary reserves	111,296	102,999
Consolidation reserves	103,111	100,437
Conversion differences	(648)	381
Profit (Note 21)	**15,187**	**17,375**
Profit for the year	40,187	42,375
Less - interim dividends	(25,000)	(25,000)
TOTAL LIABILITIES AND EQUITY	**2,296,777**	**2,165,246**

** Presented exclusively for comparison purposes.*
The accompanying Notes 1 to 33 are an integral part of the consolidated financial statements as of December 31, 2014.

Thousands of Euros

MoraBanc Group

*Consolidated income statements for the years ended December 31, 2014 and 2013**

Translation of consolidated financial statements originally issued in Catalan and prepared in accordance with generally accepted accounting principles in Andorra (see Note 33). In the event of a discrepancy, the Catalan-language version prevails.

INCOME STATEMENTS	2014	2013*
Interest income	**34,397**	**35,372**
Due from INAF and financial intermediaries	11,005	9,521
Lendings	17,756	17,122
Debentures and other fixed-income securities	5,636	8,729
Interest expense	**(11,552)**	**(11,472)**
Due to inaf and financial intermediaries	(2,357)	(605)
Customer deposits	(7,801)	(9,317)
Subordinated debt	(1,069)	(1,227)
Other	(325)	(323)
Income from equity securities	**93**	**2**
Common stocks and other equity securities	93	2
NET INTEREST INCOME	**22,938**	**23,902**
Net service fees	**76,086**	**74,277**
Fees for services provided	81,150	78,061
Less - fees for services received	(5,064)	(3,784)
Gains/(losses) on financial transactions	**37,125**	**13,397**
Provision to security price fluctuation allowance	-	486
Exchange gains	1,580	1,259
Gains/(losses) on securities transactions (Note 3-g.b)	29,222	5,944
Gains/(losses) on futures transactions	(1,372)	852
Share in (loss)/profit of companies accounted for by the equity method	7,695	4,856
Other operating income	**156**	**171**
GROSS OPERATING INCOME	**136,305**	**111,747**

Thousands of Euros

** Presented exclusively for comparison purposes.*
The accompanying Notes 1 to 33 are an integral part of the consolidated financial statements as of December 31, 2014.

Translation of consolidated financial statements originally issued in Catalan and prepared in accordance with generally accepted accounting principles in Andorra (see Note 33). In the event of a discrepancy, the Catalan-language version prevails.

INCOME STATEMENTS	2014	2013*
GROSS OPERATING INCOME	**136,305**	**111,747**
Personnel expenses	**(28,311)**	**(28,567)**
Employees, directors and indemnities	(23,841)	(24,140)
Social security costs	(2,743)	(2,751)
Other personnel expenses	(1,727)	(1,676)
General expenses	**(22,944)**	**(20,137)**
Material	(289)	(276)
Other external services	(21,268)	(18,820)
Taxes	(1,387)	(1,041)
Depreciation and amortization expense net of recoveries	**(9,510)**	**(10,899)**
Depreciation and amortization expense (Notes 9, 10 and 11)	(9,510)	(10,899)
Provisions for depreciation of assets net of recoveries	**(189)**	**(2,480)**
Provisions to allowance for depreciation of tangible and intangible assets (Note 11)	(212)	(2,480)
Recoveries from allowance	23	-
NET OPERATING INCOME	**75,351**	**49,664**
Impairment of assets	**-**	**-**
Negative first consolidation differences	**-**	**-**
Provisions for credit losses net of recoveries (Notes 6, 7 and 8)	**(22,943)**	**(1,245)**
Provisions to allowance for credit losses	(25,958)	(6,868)
Recoveries from allowance for credit losses	3,015	5,623
Provisions for contingencies and expenses net of recoveries (Note 16)	**(3,330)**	**(830)**
Provisions for contingencies and expenses	(3,663)	(830)
Recoveries from allowance for contingencies and expenses	333	-
Provisions to general risk allowance (Note 17)	**(2,981)**	**-**
INCOME FROM ORDINARY ACTIVITIES	**46,097**	**47,589**
EXTRAORDINARY (LOSS)/INCOME (NOTE 22)	**(2,583)**	**(1,214)**
INCOME BEFORE TAXES	**43,514**	**46,375**
Income tax (Note 20)	**(3,328)**	**(4,002)**
Foreing income tax	**-**	**-**
CONSOLIDATED PROFIT FOR THE YEAR	**40,186**	**42,373**
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**(1)**	**(2)**
PROFIT ATTRIBUTABLE TO THE GROUP	**40,187**	**42,375**

Thousands of Euros

** Presented exclusively for comparison purposes.*
The accompanying Notes 1 to 33 are an integral part of the consolidated financial statements as of December 31, 2014.

MoraBanc Group

*Consolidated memorandum accounts as of December 31, 2014 and 2013**

Translation of consolidated financial statements originally issued in Catalan and prepared in accordance with generally accepted accounting principles in Andorra (see Note 33). In the event of a discrepancy, the Catalan-language version prevails.

MEMORANDUM ACCOUNTS	2014	2013*
Contingent liabilities	**82,117**	**82,144**
Guarantees, bonds and sureties given	80,718	78,266
Documentary credits issued or received and confirmed to customers	1,264	3,739
Acceptances and similar commitments	135	139
Commitments and contingencies	**204,169**	**223,148**
Operational commitments and contingencies	196,452	212,707
Actuarial commitments and contingencies	7,717	10,441
Financial derivatives (Note 23)	**1,470,886**	**2,148,960**
Outstanding currency sales and purchases	643,206	1,337,096
Financial forward transactions	632,786	662,768
Other futures	194,894	149,096
Securities and other assets in custody	**6,845,518**	**6,552,473**
Third-party securities and other assets held in custody (Note 24)	6,498,139	6,206,114
Own securities and other assets held in custody	347,379	346,359
Other memorandum accounts held solely for administrative control purposes (Note 26)	**1,258,350**	**1,407,333**
Guarantees and commitments received	966,288	990,637
Other memorandum accounts	292,062	416,696
TOTAL MEMORANDUM ACCOUNTS	**9,861,040**	**10,414,058**

** Presented exclusively for comparison purposes.*
The accompanying Notes 1 to 33 are an integral part of the consolidated financial statements as of December 31, 2014.

Thousands of Euros

*Consolidated statements of source and application of funds for the years ended December 31, 2014 and 2013**

Translation of consolidated financial statements originally issued in Catalan and prepared in accordance with generally accepted accounting principles in Andorra (see Note 33). In the event of a discrepancy, the Catalan-language version prevails.

CASH INFLOW	2014	2013*
Cash-flow from operations	**71,847**	**53,011**
Profit for the year	40,187	42,375
Net provisions to allowance for credit losses	22,943	1,245
Net provisions to allowance for decline in value of assets	189	2,480
Net provisions to security price fluctuation allowance	-	(486)
Net provisions to other allowances (pension allowance, etc.)	6,366	582
Depreciation and amortization expense	9,510	10,899
Loss on sale of fixed assets	347	554
Loss on sale of own shares and investments in group companies	-	218
Profit from companies accounted for by the equity method	(7,695)	(4,856)
Positive change in liabilities over assets	**92,735**	**28,253**
INAF and financial intermediaries (liabilities-assets)	92,735	-
Other concepts (liabilities-assets)	-	28,253
Net increase in liabilities	**166,501**	**6,325**
Deposits: customer deposits	166,501	6,325
Net decrease in assets	**15,352**	**210,086**
Cash on hand	-	3,176
Lendings: customers	-	49,373
Investment securities less investments	15,352	157,537
Sales of long-term investments	**1,046**	**1,779**
Sales of investments	-	898
Sales of fixed assets	1,046	881
Funds from financing activities	**-**	**349**
Funds from financing activities	-	349
TOTAL CASH INFLOW	**347,481**	**299,803**

CASH OUTFLOW	2014	2013*
Positive change in assets over liabilities	**43,653**	**254,489**
INAF and financial intermediaries (assets-liabilities)	-	254,489
Other concepts (assets-liabilities)	43,653	-
Net decrease in liabilities	**2,838**	**487**
Deposits: customers deposits	-	-
Subordinated debt	2,838	487
Net increase in assets	**144,504**	**-**
Cash on hand	2,003	-
Lendings: customers	142,501	-
Purchases of long-term investments	**125,457**	**14,827**
Purchases of investments in group companies	109,968	724
Purchases of fixed assets	15,489	14,103
Funds applied for financing activities	**31,029**	**30,000**
Dividends	30,000	30,000
Decrease of reserves	1,029	-
TOTAL CASH OUTFLOW	**347,481**	**299,803**

** Presented exclusively for comparison purposes.*
The accompanying Notes 1 to 33 are an integral part of the consolidated financial statements as of December 31, 2014.

Thousands of Euros

Notes to Consolidated Financial Statements for the Year Ended December 31, 2014

NOTE 1 | Group description

Mora Banc Grup, SA and Mora Banc, SAU (hereinafter, "the Banks") are Andorran companies and their sole corporate purpose is to perform all the permitted activities for banking institutions under the rules and regulations in Andorra.

Mora Banc Grup, SA is the parent company of the Group, and together with its subsidiaries, as detailed in Note 2-d, compose the MoraBanc Group (hereinafter, "the Group").

As member of the Andorran financial system, the Group is subject to regulation issued by *Institut Nacional Andorrà de Finances* (hereinafter, "INAF"), the Andorran financial system authority, which develops its activity independently of the General Administration, and to the compliance of certain Andorran standards (see Notes 5 and 30).

NOTE 2 | Bases of presentation and consolidation principles

a) True and fair view

The accompanying consolidated financial statements, authorized by the board of directors of Mora Banc Grup, SA on March 24, 2015, were obtained from the accounting records of the banks and companies composing the MoraBanc Group and are presented in accordance with the format established in the chart of accounts of the Andorran financial system approved by the Andorran government on January 19, 2000 and, accordingly, give a true and fair view of the net worth, financial position and consolidated results of the Group.

These financial statements will be submitted to the Shareholders' Meeting for approval and Group Management anticipates that they will be approved without changes. Consolidated financial statements for the year ended December 31, 2013 were approved in the shareholders' meeting dated April 9, 2014.

b) Accounting Policies

The accompanying consolidated financial statements were prepared by applying the generally accepted accounting methods and principles set forth in the chart of accounts of the Andorran financial system (see Note 3). All obligatory accounting principles with a significant effect on these consolidated financial statements were applied in their preparation.

c) Comparison of information

The information included in these 2014 consolidated financial statements regarding 2013 is presented exclusively for comparison purposes.

Measurement bases and generally accepted accounting principles require the information presented to be uniform between periods. In 2014 there were no significant changes to accounting legislation that might have an effect on the comparability of the information.

d) Consolidation principles

All subsidiaries were consolidated by the full integration method and all associated entities by the equity method, with the exception of the investment in the subsidiary Mora Assegurances, SAU which was accounted for by the equity method since its insurance business differs from banking activity, as established in the chart of accounts of the Andorran financial system.

All material intercompany balances and transactions were eliminated for consolidation purposes.

For subsidiaries consolidated by the full integration method and which are not fully owned by the Group, minority interests belonging to other investors are reported on the balance sheet to reflect the claim on net assets from minority shareholders. Additionally, minority interests are recognized in the income statement as a share of the consolidated profit attributable to minority shareholders.

Details of the business of the consolidated companies as of December 31, 2014 are as follows:

Company	Country	Business activity	Auditors	Percentage of ownership [1]
Mora Banc, SAU	Andorra	Banking	Deloitte	100%
Mora Gestió d'Actius, SAU	Andorra	Investment funds management	Deloitte	100%
Mora Wealth Management AG	Switzerland	Wealth management	Deloitte	100%
Mora WM Holdings USA, LLC	USA	Holding	MBAF, LLC	100%
Mora Wealth Management LLC	USA	Wealth management	MBAF, LLC	99.89%
Mora WM Securities, LLC	USA	Broker Dealer	MBAF, LLC	100%
Mora Wealth Management, SA	Uruguay	Wealth management	Deloitte	100%
BIBM Preferents Ltd.	Cayman Islands	Finance	Deloitte	100%
Mora Assegurances, SAU	Andorra	Insurance	Deloitte	100%
Mora Asset Management, SA	Luxembourg	Wealth management	Deloitte	100%
SICAV Amura Capital (Turquoise)	Andorra	Investment company	Deloitte	57.73%
Inmobiliaria Colonial S.A.	Spain	Real state	Deloitte	4.04%
Serveis i Mitjans de Pagament XXI, SA	Andorra	Means of payment	Alfa Capital	20%

[1] *Direct and indirect percentage of ownership*

Mora Gestió d'Actius, SAU is an Andorran company incorporated on November 27, 1997 whose corporate purpose consists of those activities included in the law as applicable to investments schemes managers. Additionally, it carries on activities as discretional and individual asset manager, investment advisor, and custody and management of securities of investment schemes.

Mora Wealth Management AG is a company located in Switzerland incorporated on September 25, 2008, whose corporate purpose is the management of private wealth and financial advisory.

Mora WM Holdings USA, LLC is a company located in the United States, which has become the parent of the other Nord-American companies: Mora Wealth Management LLC was acquired on July 9, 2009 and its corporate purpose is the management of private wealth and finance advisory, and Mora WM Securities, LLC, which was incorporated in 2011 as a limited responsibility company and received a license to operate as broker dealer on May 2012.

Mora Wealth Management SA is a company located in Uruguay whose corporate purpose is the management of private wealth. It is totally owned by Mora Wealth Management AG.

BIBM Preferents Ltd is a company located in Cayman Islands which was incorporated during 2006, with the sole purpose of issuing preferred shares for the account of the Banks (see Note 18).

Mora Assegurances, SAU was incorporated on January 27, 1992. The corporate purpose of the company is to perform all activities related to insurance, re-insurance and risk coverage, within the branches of life, accident, disease and liability, with the exception of service delivery.

Serveis i Mitjans de Pagament XXI, SA is a company located in Andorra incorporated on August 17, 2012, and whose corporate purpose is the delivery of services related to credit and debit cards, as well as other means of payment, specially throughout the renting of technical equipment.

The main changes within the consolidation perimeter during 2014 have been the following:

1) Opening of a subsidiary in Luxembourg named Mora Asset Management, SA, and whose corporate purpose is third-party wealth management.

2) SICAV Amura Capital is an Andorran-based company with variable capital, intended for, in its several compartments, creating innovative, exclusive and high value-added projects. Its final purpose is to enable access to differential investments to the Group's clients.

   During January 2014, the Group acquired, through SICAV Amura Capital, Turquoise compartment, (hereinafter, "the SICAV"), 16,966,494 shares of the company Inmobiliaria Colonial, S.A., representing 7.51% of its social capital. Inmobiliaria Colonial, S.A. (hereinafter, "the Company") is a Spanish-based company listed on the organized secondary market and whose main business activity is lease and sale of real state in Spain and France.

   During April and May 2014 the shares were partially sold and the Group subscribed through the SICAV to the increase of capital carried out by the Company on May 6, 2014, reaching the share of 7% of its social capital. Afterwards, the Group distributed among its clients a 42.27% of the SICAV's shares, representing 2.98% of the Company's capital.

   As of December 31, 2014, the Group keeps, with intended permanence, 57.73% of the SICAV's social capital, representing a 4.04% of Inmobiliaria Colonial, S.A.'s capital.

   The share of the Group in the stated company was consolidated by the equity method in the accompanying consolidated financial statements as of December 31, 2014.

3) The Board of Directors of Mora Banc Grup, SA approved an increase of capital of Mora Wealth Management, LLC, through the capitalization of a loan with Mora WM Holding USA, LLC amounting €740 thousands.

4) During 2014, the company Serveis i Mitjans de Pagaments XXI, SA returned part of the contribution made by its shareholders.

The detail of the Group companies' equity as of December 31, 2014 is as follows:

Company	Capital	Reserves	Profit for the Year	Interim Dividend	Total Equity
Mora Banc, SAU	30,060	90,922	1,728	-	122,710
Mora Gestió d'Actius, SAU	2,101	3,936	2,458	(2,000)	6,495
Mora Wealth Management AG (1)(2)	82	(12,770)	(1,698)	-	1,632
Mora WM Holdings USA, LLC (1)(3)	3,675	-	-	-	11,278
Mora Wealth Management LLC (1)	5,382	(4,426)	(693)	-	263
Mora WM Securities, LLC	2,025	(1,561)	205	-	669
Mora Wealth Management, SA (1)	342	(102)	(117)	-	123
BIBM Preferents Ltd,	1	-	-	-	1
Mora Assegurances, SAU	6,503	5,572	4,044	(3,800)	12,319
Mora Asset Management, SA (1) (4)	500	-	(830)	-	670
SICAV Amura Capital (Turquoise)	107,672	-	18,502	(2,088)	124,086
Inmobiliaria Colonial, S,A,	797,214	133,635	491,994	-	1,422,843
Serveis i Mitjans de Pagament XXI, SA (1)	60	56	3	-	119

(1) Provisional figures for the year 2014.
(2) Total Equity includes an amount of €16,018 thousand as a subordinated debt, entirely subscribed by Mora Banc Grup, SA.
(3) Total Equity includes an amount of €7,603 thousand as a subordinated debt, entirely subscribed by Mora Banc Grup, SA.
(4) Total Equity includes an amount of €1,000 thousand as a subordinated debt, entirely subscribed by Mora Banc Grup, SA.

NOTE 3 | Accounting policies and valuation standards

The following accounting principles and valuation methods were applied in the preparation of the accompanying consolidated financial statements:

a) Accrual basis

Revenues and expenses are recorded on an accrual basis, and the amortized cost, using the effective interest method, is used for transactions which take more than twelve months to be completed. Nevertheless, in accordance with conservative accounting principles, as required by applicable legislation, the interest earned on loans classified as doubtful or very doubtful is recognized as income upon collection.

b) Recording basis

In accordance with banking practice, transactions are recorded on the date they take place, which may differ from their value dates, which are used in the calculation of interest income and expense.

c) Foreign currency

Foreign currency assets, liabilities and memorandum accounts were translated to Euros at the last midmarket exchange rates prevailing before the balance sheet date as determined by the Andorran Bankers' Association. Foreign currency revenues and expenses are translated to Euros at the midmarket exchange rates on the date they take place. Exchange gains or losses are recorded in the accompanying consolidated statements of income under "Gains/(Losses) on Financial Transactions – Exchange Gains".

These are the main exchange rates with respect to Euro at the end of 2014:

Currency	Euro
US Dollar	1.2155
Swiss Franc	1.2028
Sterling Pound	0.7826
Japanese Yen	145.3700

d) Doubtful assets

Loans and credits, debentures and other fixed-income securities and other receivables are classified as doubtful assets when the whole repayment is considered problematic because a reduction in the prospects for collection is noted due to the debtors' inability to fulfil their commitments under the contractual terms. The assets –notes, loan, credit or financial lease payments receivable, coupons, fixed-income securities and other debits due and payable– are included in this category according to their default status when the related principal or interest becomes more than three months overdue. In the case of loans with periodic payments, subsequent payments are classified as doubtful on the day they mature.

If a single loan has cumulative past-due uncollected principal, interest and expenses classified as doubtful exceeding 25% of the risk (excluding unaccrued interest) or there is an amount more than one year past due, the Entity classifies all of the past dues as doubtful.

When these assets are considered unrecoverable or their recovery value is deemed to be minimal or unlikely to be realized, they are removed from assets in the balance sheet and recorded in memorandum accounts under the "Other Memorandum Accounts Held Solely for Administrative Control Purposes – Other Memorandum Accounts" caption (see Note 26). In any case, these unpaid assets are transferred to memorandum accounts three years after maturity, or six years for mortgage loans with adequate collateral.

e) Allowance for credit losses

The allowance is recorded in order to cover losses on the recovery of investments with lending, investment securities and other risks. This allowance is increased by the expenses charged against income and reduced by charge-offs of loans considered to be uncollectible and recoveries of amounts previously provided.

Allowances for credit losses established under the chart of accounts of the Andorran financial system are as follows:

Specific allowances

The calculation of specific allowance is based on quantitative and qualitative regulated guidelines and on a detailed analysis to credit risk exposure, on individual basis, following prudent criteria, and it is maintained at and adequate level so that all potential losses are covered.

Generic allowances

To cover any losses that may arise in the future on individual risks that have not been identified as problematic at present, general-purpose provisions were recorded in accordance with the chart of accounts of the Andorran financial system. The mentioned provisions are equal to:

- 0.5% of time deposits placed for more than one business day with banking institutions (see Note 6).

- 1% of lending to clients, with the exception of the exposure collateralized with pledged monetary assets, listed financial investments, contractually pledged, within the limits of the market value of these securities, and real estate assets (see Note 7).

- 0.5% of fixed-income securities issued by banking institutions and 1% of other fixed-income securities accounted under financial investments, with the exception of those issued or guaranteed by central administrations and central banks of OECD countries and Andorra (see Note 8), to which no generic allowance is applied.

Country risk allowances

The calculation of country risk allowance takes into account, among others, the global risk estimation for each country according to balance of payments, indebtedness and debt service fees, quotations of fixed-income securities in international secondary markets, as well as other indicators and circumstances for each market. This estimation follows a most prudent criterion in order to calculate the necessary allowance.

f) Credit facilities

Credit facilities garanted to customers are recorded in the balance sheet at the amount used, and the undrawn amounts are recorded in the memorandum accounts under "Commitments and Contingencies – Operational Commitments and Contingencies".

g) Investment securities

Fixed-income securities

The fixed-interest securities in the Group's portfolio are classified as follows:

a) Trading securities, which are the securities that the Group expects to sell before maturity with the aim of making a profit in the short term from price fluctuations, are carried at market value. Any gains or losses arising from variations in the value of these securities, excluding accrued coupon payments, are recorded net under "Gains on Financial Transactions – Gains on Securities Transactions" in the accompanying consolidated income statements. Coupon payments accruing after securities have been purchased are recorded under "Interest Income – Debentures and Other Fixed-Income Securities."

b) The held-to-maturity portfolio is made up of the securities that the Group has decided to hold to maturity, provided they have the financial ability to do so. These securities are stated at adjusted cost price. Cost price is adjusted on a daily basis by accruing the difference between cost and redemption value, over the remaining life of the related security. The results of accruing this difference, together with the coupons that have accrued since the securities were purchased, are recorded under "Interest Income – Debentures and Other Fixed-Income Securities."

In the event of alienations as a result of changes in the intentionality of holding investments until maturity, losses arisen from the disposal of assets are registered in the income statement as extraordinary losses. Gains are accrued on a straight-line basis over the remaining life of the security sold, and are recognized in "Gains on financial transactions- Gains on securities transactions".

In 2014, in accordance with the INAF authorization released on December 19, 2014, the Group added to "Gains on financial transactions- Gains on securities transactions" an amount of €18,216 thousands corresponding to the cumulative balance of the obtained gains for sales of held-to-maturity investments during year 2014 and prior years. The amount was previously registered under "Accrual accounts – Unearned revenue – Others". The Group decided, under its Risk Management policy, and in accordance with the aforesaid authorization, to assign the full amount, after an analysis of the credit risk portfolio, to increase the specific allowance for credit losses, charged against the consolidated result for year 2014 (see Notes 7, 8 and 19).

c) Other securities are classified as available-for-sale securities, and are valued and recorded at adjusted cost price. Likewise, differences between market value and adjusted cost price are recognized in the income statement as a provision of fluctuating fund, calculating the total value of negative differences less the positive, until the positive differences equal the negative.

Equity securities

a) The securities in the trading portfolio are shown at their market value, and any gains or losses arising from variations in the value of these securities are recorded in the accompanying consolidated income statements.

b) The securities in the available-for-sale portfolio are recorded at the lower of acquisition cost or market value.

c) Investments accounted for under the equity method (see Note 2-d) are stated at the value of the portion of the investee's net worth they represent.

Market value was determined as follows:

- Listed securities: price at year-end.
- Unlisted securities: as a general rule, the underlying book value, obtained from the last available balance sheet, will be used as a reference. Nevertheless, in some cases the market value will depend on the value of the underlying asset. In case the asset is a business and there is enough information, the valuation techniques applied could be, for instance, discounted cash flows. In case the underlying is a real estate company the appraised value or the valuation subtracting debt could be considered.

h) Consolidated goodwill

This caption reflects the positive differences that arise from the acquisition of a consolidated company, between the price paid for the shares of the company and its underlying book value.

In this regard, inherent expenses, those strictly linked to the acquisition of the subsidiary and which are indispensable for the purchase, have been considered as an increase in the price of acquisition. The remaining expenses directly linked to the purchase and not considered above, have been recognized as deferred charges (see Note 3-j).

Consolidated goodwill is not amortized. An impairment test must be performed at the end of each year, and if any indication of impairment exists, the corresponding loss is recognized in the income statement. This loss will be irrecoverable and it will not be possible to record it again even if the asset recovers its value.

Moreover, in the event of an inclusion of a new company in the consolidation perimeter, indirectly or through the integration of a subconsolidation, the entities are required to set aside a non-distributable reserve in the

parent's separate financial statements equal to the amount of such positive differences, annually funding at least 10% of such amount through the allocation of the profit for the corresponding year. If no profits are available or profits should prove to be insufficient, freely distributable reserves must be used for this purpose.

Negative differences are recognized as income in the income statement, in the year in which they occur.

i) Property and equipment

Property and equipment are stated at cost, except for the Group's building head offices, which was revalued in 1994. The estimated realizable value of these assets at year end is greater than their estimated net value.

The Group depreciates its property and equipment by the straight-line method based on the following years of estimated useful life:

	Years of Estimated Useful Life
Buildings	50
Machinery, furniture and fixtures	3 to 10
Vehicles	5
Hardware	3

Assets acquired as settlement to other assets are recorded at the lowest of the net book value of the recovered asset at the moment of recovery, excluding their allowances, and the estimated price of the acquired asset.

Later, buildings which are not accounted for as property and equipment assigned to operations are impaired according to the following percentages:

Ageing in balance sheet	%
Between 3 and 4 years	25
Between 4 and 5 years	50
More than 5 years	75

Notwithstanding, book value cannot be greater than the estimated market value. For terrains and other foreclosed assets, book value is measured against an updated valuation (at least every two years), performed by an independent valuator. In case of obtaining a valuation lower than the net book value, those differences shall be accounted in the accompanying consolidated income statement.

j) Intangible assets and deferred charges

Intangible assets consist of:

- The cost of software, which is depreciated over a maximum of three years.
- Deferred charges, arisen from the constitution and acquisition of subsidiaries, which are depreciated over five years against the income statement. It is the period in which these assets will contribute to generate income (see Note 3-h).
- Goodwill, which is recorded at acquisition cost and is not depreciated. Additionally, an impairment test must be performed at each year end, and if any indication of impairment exists, the corresponding loss is recognized in the income statement. This loss will be irrecoverable and it will not be possible to record it again even if the asset recovers its value.

k) Provisions for pensions and similar obligations

In 1977 the Group set up a pension fund for all employees, for the purpose of supplementing the pensions paid under the Andorran social security system. In 2007 it was proposed to the employees that this internal fund be changed and replaced by a defined contribution plan, implemented and managed through a group insurance policy taken out by Mora Banc Grup, SA on behalf of the Group with Mora Assegurances, SAU (see Note 2-d) which has been reinsured with AXA Vida, SA. Almost all employees accepted this change.

Additionally, an internal pension fund has been maintained for retired employees and serving employees who have not joined the new pension scheme. The main actuarial assumptions used to calculate the corresponding benefit obligations at December 31, 2014, are as follows:

- Nominal discount rate: between 0.75% and 2.50%, depending on the employee group concerned.
- Salary increase rate: 1.00%.
- CPI: 1.00%.
- Mortality tables: PERM/F-2000P.

The regular cost for the year of the internal pension fund was €12 thousand, which is recorded under "Personnel Expenses – Other Personnel Expenses", while the portion relating to capitalization of the internal allowance is recorded under "Interest Expense – Other" in the consolidated income statements.

In addition, as a result of the outsourcing of the pension plan, payments amounting to €1,009 thousand were made during 2014. The amount of these payments is recorded under "Personnel Expenses – Other Personnel Expenses" in the accompanying 2014 consolidated income statements.

In addition, the provisions required to cover all the salary and welfare commitments with a group of eligible employees who joined the preretirement scheme offered by the Group were recorded against income in prior years. The related charge was included under "Provisions for Contingencies and Expenses" in the accompanying consolidated income statements (see Note 16).

l) Provisions for futures

Allowance constituted for the Group arising from losses of valuations of non-hedge futures positions contracted out of regulated markets, held as of December 31, 2014 (see Note 16).

m) General risk allowance

Allowance that the Group assigns, according to prudence criteria, given the risks inherent to banking and financial activities, to cover the general risks of these activities, without an identified impairment of the assets value (see Note 17).

n) Financial derivatives

The Group uses these instruments basically to hedge equity positions. They are recorded in the memorandum accounts at the face value of the related contracts (see Note 23). In the case of options, the amount of premiums paid is included in "Other Assets – Options purchased" and the amount of premiums received is included in "Other liabilities – Options issued" in the accompanying consolidated balance sheets.

Transactions whose purpose and effect is to eliminate or substantially reduce the currency, interest-rate or market risks associated with equity positions or other transactions are considered as hedges. Gains or losses on hedging transactions are accrued symmetrically to the revenues or expenses relating to the item hedged.

Non-hedging transactions (also called trading transactions) arranged on organized markets are recorded at their market price, and any variations in market price are recorded in full in the accompanying consolidated income statements.

Gains or losses on trading transactions arranged outside organized markets are not recognized in the accompanying consolidated statements of income until they have been realized. However, at each month-end a valuation is made of positions, and, if required, a provision is recorded against income to cover possible net losses for each type of risk detected in the valuation.

o) Taxes

Income tax

In accordance with Law 95/2010 of December 29 on the Income Tax, Law 17/2011 of December 1, modifying Law 95/2010, and the Regulations on the application of Law 95/2010 on the Income Tax, the establishment of an income tax has become official. The income tax is a direct tax applicable to income from legal entities.

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, minus any applicable rebates and tax credits. The taxable profit is calculated by correcting the accounting profit, determined in accordance with the regulations established in the chart of accounts of the Andorran financial system, through the application of the qualification, measurement and temporary recognition principles and criteria set forth in the precepts of the income tax law that lead to off-balance sheet adjustments. Off-balance sheet adjustments, whether positive or negative, may be permanent or temporary depending on whether they are reversed in future taxable periods or not.

In the chapter "Other assets" of the consolidated balance sheet, a caption called "Taxes" is created, in which withholdings and payments on account of the advance income tax are recognized, as well as tax unrecognized tax loss carryforwards or tax credits that are registered to the extent that it is probable that future taxable profit will be available against which these assets may be utilized.

In the chapter "Other liabilities" of the consolidated balance sheet, a caption called "Taxes" is created, in which the deferred income tax is recognized, as well as payable amounts to tax agency.

In the income statement, under a chapter called "Income tax", all debits and credits related to the income tax rate are recognized. Additionally, in the chapter "Foreign income tax", all debits and credits related to the income tax corresponding to foreign tax systems are registered. These captions include the amounts corresponding to the financial institution, companies consolidated under the full consolidation method and the proportional consolidation method, and the group companies consolidated under the equity method.

For the purpose of the income tax calculation, MoraBanc Group is a tax group, according to the authorization received on May 25, 2012 from the Andorran government.

General indirect tax

Further to General Indirect Tax Law 11/2012, of June 21, subsequently amended by Law 29/2012 amending the general indirect tax, of October 18, on January 1, 2013 this tax came into force, thereby repealing the previous General Indirect Tax Law on the provision of banking and financial services.

The general indirect tax is levied on the economic capacity disclosed provided that end consumption of a good or service occurs. The tax rate applied to provisions of banking and financial services is an increased tax rate of 9.5%.

Law 10/2014 of June 3, modifying Law 11/2012 of June 21 on the general indirect tax, amended by Law 29/2012 of October 18 and Law 11/2013 of May 23, introduces a limitation to the right of deducting the supported quotas to financial entities for a maximum annual amount equivalent to the 10% of the transferred quotas at a 9.5% tax rate, with the limitation of the supported tax in its subject activity. The limitation came into force on July 1, 2014.

"Withholdings and payments on account" and "Collection Accounts" in the consolidated balance sheet include the prepayments and withholdings payable, respectively (see Note 20).

NOTE 4 | Distribution of profit

The proposal of Mora Banc Grup, SA, parent entity of the Group, for 2014 profit distribution, that the Board of Directors will submit for approval by the Shareholders in general meeting; and the distribution of 2013 profit, are as follows:

	2014	2013
Dividends:		
Interim	25,000	25,000
Final	5,000	5,000
	30,000	30,000
Reserves:		
Unavailable reserve	1,618	966
Voluntary reserve	107	8,938
Profit for the year	**31,725**	**39,904**

Thousands of Euros

As of December 19, 2014, according to the decision taken by the Board of Directors of Mora Banc Grup, SA dated December 17, 2014 a distribution of an interim dividend of €25,000 thousand was performed.

Additionally, in accordance with current standards, it has been approved to allocate an amount of €977 thousand, equal to 10% of first-time consolidation differences to non-distributable reserves (see Notes 3-h and 9), together with €641 thousand relating to the application to reserves in relation to the deposit guarantee system for banks (see Note 5).

The income of the remaining Group companies shall be distributed in accordance with the resolutions of their respective Shareholders' Meetings, or single shareholders as required.

NOTE 5 | Mandatory bank reserves

Mandatory bank reserves ratios

As of June 30, 1994, the General Council of Andorra passed the law regulating mandatory bank reserve ratios. Under this law, all banking entities must maintain a ratio of their reserves in Andorran public funds.

Government Debt Securities

In order to meet this ratio as of December 31, 2014 the Group had subscribed to Andorran government debt securities, issued on December 31st, 2013, for an amount of €57,917 thousand. These debt securities mature on December 31, 2015 and earn a one-year *Euribor* rate.

The Government debt securities are recorded in the "Investment Securities – Debentures and Other Fixed- Income Securities" caption in the accompanying consolidated balance sheets. These debt securities are recorded as held-to-maturity securities (see Note 8).

Special financing programs

Loans granted by the Group under a program of national and social interest providing special financing for homebuyers, approved by the Andorran government, can also be classified as public funds. The loans granted by the Group under this program amounted to €1,611 thousand as of December 31, 2014 and €1,573 thousand as of December 31, 2013, and are recorded under "Lendings – Loans and Credits" in the accompanying consolidated balance sheets.

Guarantee reserves

Non-banking institutions in the financial system are required to keep a minimum equity reserve to guarantee its banking liabilities. Therefore, Mora Gestió d'Actius, SAU keeps a minimum equity reserve as permanent equity amounting to €210 thousand as of December 31, 2014 and 2013 (see Note 21). The deposits placed for this purpose are recorded in the "Due from INAF" caption on the asset side of the accompanying consolidated balance sheets, and earn variable interest at market rate.

Deposit guarantee fund

At its session held on February 2, 2011, the General Council of the Principality of Andorra approved the Law on the establishment of a banking deposit guarantee system, which requires banks that are authorised to operate in the Andorran financial system to keep investments in liquid and secure assets as a counterpart to a non-distributable reserve, subject to meeting the guarantees covered by the guarantee system.

The amount of the guarantee reserves recognised by the Group for this concept at December 31, 2014 was €20,607 thousand (see Note 21). The Group has invested an amount equal to the guarantee reserves in fixed-income securities (government debt securities from OECD countries in accordance with the requirements established by the aforementioned law).

NOTE 6 | Due from financial intermediaries

The breakdown of the balance of this asset caption in the accompanying consolidated balance sheets, by currency and type of transaction, excluding the allowance for credit losses, is as follows:

	2014	2013
By currency:		
In Euros	291,583	313,477
In foreign currency (Note 29)	258,652	348,618
	550,235	**662,095**
By type:		
Demand deposits:		
Correspondent bank accounts	273,994	522,395
Deposits	205,721	120,045
Other accounts	2,111	2,575
	481,826	645,015
Time deposits	68,409	17,080
	550,235	**662,095**

Thousands of Euros

Time deposits are deposits with an original term of more than one working day.

The breakdown by maturity from the balance sheet date of the time deposits recorded in this caption of the accompanying consolidated balance sheets, excluding the allowance for credit losses, is as follows:

	2014	2013
Up to 1 month	36,924	2,080
From 3 months to 1 year	31,485	15,000
	68,409	**17,080**

Thousands of Euros

As of December 31, 2014 and 2013, there were no past-due balances or balance with no specified maturity.

The movement of the allowance for credit losses, which corresponds basically to the general provision, for the years 2014 and 2013 was as follows:

	2014	2013
Opening balance	85	93
Add:		
Provisions to allowance	257	316
Less:		
Allowance recovered	-	(324)
Closing balance	**342**	**85**

Thousands of Euros

Under current regulations, this general allowance for credit losses is considered as equity for the purpose of calculating the capital ratio.

NOTE 7 | Lendings

The breakdown of the balance of this asset caption in the accompanying consolidated balance sheets, by currency and sector, excluding the allowance for credit losses, is as follows:

	2014	2013
By currency:		
In Euros	998,560	880,627
In foreign currency (Note 29)	79,323	54,755
	1,077,883	**935,382**
By sectors:		
Andorran public sector:		
Central government	49,241	42,839
Local government	30,882	39,679
Other	8,179	976
	88,302	83,494
Private sector	989,581	851,888
	1,077,883	**935,382**

Thousands of Euros

The detail of the balance of this caption by type of collateral and degree of risk, excluding the allowance for credit losses, is as follows:

	2014	2013
By type of collateral:		
Secured:		
Mortgage	490,458	498,613
Cash	1,938	906
Securities	245,526	183,089
	737,922	682,608
Unsecured	339,961	252,774
	1,077,883	**935,382**
By degree of risk:		
Normal	1,032,150	887,528
Past due	2,973	5,613
Doubtful	42,760	42,241
	1,077,883	**935,382**

Thousands of Euros

Among the doubtful assets, a total sum of €42,243 thousand and €41,505 thousand, as of December 31, 2014 and 2013 respectively, were secured.

The detail by maturity of the balance of this caption of the accompanying consolidated balance sheets, excluding the allowance for credit losses, is as follows:

	2014	2013
Past due and doubtful	45,733	47,854
Up to 1 month	76,224	49,704
From 1 month to 3 months	79,867	84,987
From 3 months to 1 year	309,241	213,620
From 1 year to 5 years	288,110	252,437
Over 5 years	263,394	259,696
No specified maturity	15,314	27,084
	1,077,883	**935,382**

Thousands of Euros

The variation of the allowance in 2014 and 2013 were as follows:

	2014	2013
Opening balance	7,276	7,421
Add:		
Provisions to allowance	25,358	5,736
Less:		
Allowance application	(2,662)	(2,119)
Allowances recovered	(3,015)	(3,762)
Closing balance	**26,957**	**7,276**

Thousands of Euros

The allowance for credit losses is composed by a specific provision established over an individual basis (see Note 3-g.b) and by a general provision (see Note 3-e) as follows:

	2014	2013
Specific provision (Note 3-g)	23,671	4,754
General banking provision	3,286	2,522
	26,957	**7,276**

Thousands of Euros

The balance of "Provisions for credit losses net of recoveries" in the accompanying consolidated income statements relates mainly to changes in the allowance for credit losses, shown in the preceding table, plus net additions to the general allowance for financial intermediaries and investment securities (see Notes 3-e and 3-g).

NOTE 8 | Investment securities

The breakdown of the "Investment Securities" asset caption in the accompanying consolidated balance sheets as of December 31, 2014 and 2013, by type of security and listing status, excluding the allowance for credit losses and the security price fluctuation allowance, is as follows:

	2014	2013
By type:		
Trading securities:		
Debentures and other fixed-income securities	24,553	19,149
Investment funds	18,385	9,982
Common stocks and other equity securities	2,830	24
	45,768	29,155
Available-for-sale securities:		
Debentures and other fixed-income securities	23,959	15,003
Investment funds	7,776	-
Common stocks and other equity securities	4,561	4,559
	36,296	19,562
Held-to-maturity securities:		
Debentures and other fixed-income securities	311,975	360,674
Long-term securities:		
Investments in Group companies	12,319	12,075
Other investments	108,201	35
	120,520	12,110
	514,559	**421,501**
By listing status:		
Listed	365,059	331,912
Unlisted	149,500	89,589
	514,559	**421,501**

Thousands of Euros

The cost value of the trading portfolio was €44,980 thousand as of December 31, 2014 and €29,029 thousand as of December 31, 2013.

The market value of the available-for-sale portfolio as of December 31, 2014 and 2013 does not differ significantly from its book value. The market value of the held-to-maturity investment portfolio as of December 31, 2014 and 2013 is €321,688 thousand and €356,515 thousand, respectively.

At December 30, 2013 the Group acquired preferred shares in Estació de Muntanya Arinsal-Pal (EMAP) for €4,487 thousand. The nominal amount of the issue was used to repay a loan granted to EMAP for the same amount. These shares are perpetual, subordinated and convertible from 30 December 2027, at the discretion of EMAP, into newly issued ordinary shares. At December 31, 2014, these shares were recognised under "Common stocks and other equity securities" on the asset side of the accompanying consolidated balance sheet.

During 2014 and 2013 the Group sold securities initially recorded in held-to-maturity portfolio for a total amount of €123,088 and €617,576 thousand, respectively. The realised gain resulting from this transaction was €755 thousand in 2014 and €13,264 thousand in 2013, accrued on a straight-line basis over the remaining life of the securities sold, according to current legislation. During 2014 and 2013 the Group realised profits for an amount of €3,043 and €3,172, respectively, which were recorded in the "Gains/(Losses) on financial transactions" caption of the accompanying consolidated income statements. Additionally, in 2014, in accordance with the INAF statement released on December 19, 2014, the Group added to "Gains on financial transactions- Gains on securities transactions" an amount of €18,216 thousands corresponding to the cumulative balance of the obtained gains for sales of held-to-maturity investments during year 2014 and prior years. The amount was previously registered under "Accrual accounts – Unearned revenue – Others". As of December 31, 2013 the amount registered was €20,487 thousands (see Notes 3-g and 19).

The breakdown by maturity from the balance sheet date of the "Debentures and Other Fixed-Income Securities" caption is as follows:

	2014	2013
Up to 3 months	38,495	12,099
From 3 months to 1 year	187,848	78,039
From 1 year to 5 year	54,307	185,062
More than 5 years	79,837	119,626
	360,487	**394,826**

Thousands of Euros

There were no past-due balances as of December 31, 2014 and 2013.

The caption "Debentures and other fixed-income securities" as of December 31, 2014 and 2013 is mainly composed by debt securities issued by public administrations and banking institutions from OECD countries.

The caption "Investment funds" as of December 31, 2014 and 2013 consists of investments in investment funds managed directly or indirectly by the Group.

The "Investments in Group Companies" caption relates to shares in Mora Assegurances, SAU, a company consolidated by the equity method.

The detail of the balance of "Other Investments" as of December 31, 2014, is as follows:

Company	Location	Line of Business	Percentage of ownership [1]	Capital Stock	Profit for the Year	Total equity	Book Value	Interim Dividend
SICAV Amura (Onix) (*)	Andorra	Investment Society	100%	20,100	(47)	20,053	20,000	-
SICAV Amura (Emerald) (*)	Andorra	Investment Society	100%	10,064	(10)	10,054	10,005	-
SICAV Amura (Aquamarine) (*)	Andorra	Investment Society	100%	700	40	740	2	-
SICAV Rocanegra (*)	Andorra	Investment Society	100%	15,005	(86)	14,909	14,994	-
Inmobiliaria Colonial, SA (**)	Spain	Real Estate	4.04%	797,214	491,994	1,422,843	57,455	-
Serveis i Mitjans de Pagament XXI, SA [2]	Andorra	Means of payment	20%	60	3	119	24	-
Others	Andorra	Investment Societies	Various	11,127	513	11,854	5,721	-
				854,270	**492,407**	**1,480,572**	**108,201**	**-**

(*) Shares for which there exists a marketing plan.
(**) Shares with significant influence and permanence character.

Thousands of Euros

The figures relating to the companies that composed that caption as of December 31, 2013, were as follows:

Company	Location	Line of Business	Percentage of ownership [1]	Capital Stock	Profit for the Year	Total equity	Book Value	Interim Dividend
Serveis i Mitjans de Pagament XXI, SA	Andorra	Means of payment	20%	60	(53)	183	35	-

(1) Percentage held directly or indirectly

Thousands of Euros

The Group holds in its portfolio 100% of the shares of certain SICAVs not considering them in the consolidation process, since they are for specific projects which the Group has intention to sell to clients under the usual merchandising process.

As of December 31, 2014 and 2013, none of the investments in the trading portfolio represent more than 5% of capital stock (qualified holdings).

In 2014 Serveis i Mitjans de Pagament XXI, SA returned part of the contribution carried out by its shareholders.

The variation of the security price fluctuation allowance in 2014 and 2013 was as follows:

	2014	2013
Opening balance	-	486
Add:		
Provision to allowance	-	-
Less:		
Allowances recovered	-	(486)
Closing balance	**-**	**-**

Thousands of Euros

The security price fluctuation allowance recovered in 2013 relates to the provisions recognised in prior years by Seguretat i Serveis, SA.

The variation of the general provision in 2014 and 2013 was as follows:

	2014	2013
Opening balance	1,105	1,826
Add:		
Net provision to allowance	343	816
Less:		
Allowances recovered	-	(1,537)
Closing balance	**1,448**	**1,105**

Thousands of Euros

NOTE 9 | Consolidated goodwill

The total amount of the caption "Consolidated goodwill" is due to the acquisition of the company Mora Wealth Management LLC and Inmobiliaria Colonial, S.A. (see Note 2-d).

The variations of consolidated goodwill in 2014 and 2013 are as follows:

2014	Opening Balance	Additions	Others	Closing Balance
Consolidated goodwill:				
Cost	3,422	6,349	-	9,771
Accumulated amortization	-	-	-	-
Closing balance	**3,422**	**6,349**	**-**	**9,771**

Thousands of Euros

2013	Opening Balance	Additions	Others	Closing Balance
Consolidated goodwill:				
Cost	3,422	-	-	3,422
Accumulated amortization	-	-	-	-
Closing balance	**3,422**	**-**	**-**	**3,422**

Thousands of Euros

The Group estimates that there is no indication of impairment of first-time consolidation differences at December 31, 2014.

NOTE 10 | Intangible assets and deferred charges

The variations in 2014 and 2013 in intangible asset and deferred charge accounts and in the related accumulated amortization were as follows:

2014	Opening Balance	Additions	Retirements	Translation differences	Transfers and others	Closing Balance
Software:						
Cost	74,673	4,461	(10)	5	-	79,129
Accumulated amortization	(65,979)	(5,683)	6	(3)	-	(71,659)
	8,694	(1,222)	(4)	2	-	7,470
Goodwill:						
Cost	800	-	-	-	-	800
Accumulated amortization	-	-	-	-	-	-
	800	-	-	-	-	800
Deferral expenses:						
Cost	5,970	306	-	619	-	6,895
Accumulated amortization	(5,126)	(678)	-	(615)	-	(6,419)
	844	(372)	-	4	-	476
Total	**10,338**	**(1,594)**	**(4)**	**6**	**-**	**8,746**

Thousands of Euros

2013	Opening Balance	Additions	Retirements	Translation differences	Transfers and others	Closing Balance
Software:						
Cost	70,966	3,709	(1)	(1)	-	74,673
Accumulated amortization	(59,376)	(6,605)	1	1	-	(65,979)
	11,590	(2,896)	-	-	-	8,694
Goodwill:						
Cost	800	-	-	-	-	800
Accumulated amortization	-	-	-	-	-	-
	800	-	-	-	-	800
Deferral expenses:						
Cost	6,003	262	(91)	(204)	-	5,970
Accumulated amortization	(4,266)	(1,107)	70	177	-	(5,126)
	1,737	(845)	(21)	(27)	-	844
Total	**14,127**	**(3,741)**	**(21)**	**(27)**	**-**	**10,338**

Thousands of Euros

The Group has performed an impairment test of the goodwill and considers that there is no evidence of impairment thereof.

NOTE 11 | Property and equipment

The variations in 2014 and 2013 in property and equipment accounts and in the related accumulated amortization were as follows:

ASSETS ASSIGNED TO OPERATIONS IN 2014	Opening Balance	Additions	Retirements	Translation differences	Transfers and others	Closing Balance
Land:						
Cost	23,149	-	-	-	-	23,149
Buildings:						
Cost	24,987	-	-	-	-	24,987
Accumulated amortization	(6,471)	(490)	-	-	-	(6,961)
	18,516	(490)	-	-	-	18,026
Furniture:						
Cost	4,817	140	(136)	37	95	4,953
Accumulated amortization	(3,105)	(259)	123	(18)	-	(3,259)
	1,712	(119)	(13)	19	95	1,694
Machinery and fixtures:						
Cost	24,053	598	(495)	48	858	25,062
Accumulated amortization	(15,776)	(1,556)	436	(18)	-	(16,914)
	8,277	(958)	(59)	30	858	8,148
Hardware:						
Cost	13,772	1,359	(1)	41	-	15,171
Accumulated amortization	(12,901)	(792)	1	(33)	-	(13,725)
	871	567	-	8	-	1,446
Vehicles:						
Cost	399	104	(79)	-	-	424
Accumulated amortization	(308)	(52)	79	-	-	(281)
	91	52	-	-	-	143
Construction in progress:						
Cost	221	734	-	-	(953)	2
Accumulated amortization	-	-	-	-	-	-
	221	734	-	-	(953)	2
Total	**52,837**	**(214)**	**(72)**	**57**	**-**	**52,608**

Thousands of Euros

ASSETS NOT ASSIGNED TO OPERATIONS IN 2014	Opening Balance	Additions	Retirements	Transfers and other	Closing Balance
Buildings and Land:					
Cost	57,702	7,787	(1,046)	-	64,443
Allowance for decline in value	(9,394)	(212)	23	-	(9,583)
Total	**48,308**	**7,632**	**(1,023)**	**-**	**54,860**

Thousands of Euros

ASSETS ASSIGNED TO OPERATIONS IN 2013	Opening Balance	Additions	Retirements	Translation differences	Transfers and others	Closing Balance
Land:						
Cost	23,149	-	-	-	-	23,149
Buildings:						
Cost	24,987	-	-	-	-	24,987
Accumulated amortization	(5,981)	(490)	-	-	-	(6,471)
	19,006	(490)	-	-	-	18,516
Furniture:						
Cost	4,746	87	-	(16)	-	4,817
Accumulated amortization	(2,862)	(246)	-	2	1	(3,105)
	1,884	(159)	-	(14)	1	1,712
Machinery and fixtures:						
Cost	23,264	821	(32)	-	-	24,053
Accumulated amortization	(14,213)	(1,592)	26	-	3	(15,776)
	9,051	(771)	(6)	-	3	8,277
Hardware:						
Cost	13,408	397	(20)	(13)	-	13,772
Accumulated amortization	(12,075)	(815)	-	8	(19)	(12,901)
	1,333	(418)	(20)	(5)	(19)	871
Vehicles:						
Cost	363	36	-	-	-	399
Accumulated amortization	(264)	(44)	-	-	-	(308)
	99	(8)	-	-	-	91
Construction in progress:						
Cost	-	221	-	-	-	221
Accumulated amortization	-	-	-	-	-	-
	-	221	-	-	-	221
Total	**54,522**	**(1,625)**	**(26)**	**(19)**	**(15)**	**52,837**

ASSETS NOT ASSIGNED TO OPERATIONS IN 2013	Opening Balance	Additions	Retirements	Transfers and other	Closing Balance
Buildings and Land:					
Cost	50,013	8,570	(881)	-	57,702
Allowance for decline in value	(6,914)	(2,480)	-	-	(9,394)
Total	**43,099**	**6,090**	**(881)**	**-**	**48,308**

Thousands of Euros

No interest expenses relating to property and equipment were capitalized in 2014 or 2013.

Assets not assigned to operations include foreclosed assets acquired for unpaid loans for an amount of €46,040 thousand as of December 31, 2014 and €39,488 thousand as of December 31, 2013.

During 2014 the Group has increased the allowance for decline in value of foreclosed assets €212 thousand, due to the depreciation originated by updating valuations of the properties and application of the depreciation schedule to the foreclosed assets (see Note 3-i).

At December 31, 2014, the value at market price of the foreclosed properties, according to the valuations requested by the Banks, exceeded the book value thereof.

NOTE 12 | Accrual accounts - assets

The breakdown of the balance of this asset caption in the accompanying consolidated balance sheets, at December 31, 2014 and 2013 is as follows:

	2014	2013
Uncollected accrued interests		
Interests	7,429	7,106
Comissions	3,107	2,381
Others	214	-
	10,750	9,487
Prepaid expenses	5,518	1,865
	16,268	**11,352**

Thousands of Euros

The main variation in "Prepaid expenses" during 2014 relates to certain multi-annual sponsorship commitments.

NOTE 13 | Due to INAF

The detail of demand and time deposits in this liability caption of the accompanying consolidated balance sheets by currency and type is as follows:

	2014	2013
By currency:		
In Euros	2,073	16,904
In foreign currency (See Note 29)	-	9,393
	2,073	**26,297**
By type:		
Demand deposits	610	5,757
Time deposits	1,463	20,540
	2,073	**26,297**

Thousands of Euros

The breakdown by maturity from the balance sheet date of the time deposits recorded in this caption of the accompanying consolidated balance sheets is as follows:

	2014	2013
Up to 1 month	60	10,938
From 1 month to 3 months	-	5,000
From 3 months to 1 year	1,403	4,602
	1,463	**20,540**

Thousands of Euros

NOTE 14 | Due to financial intermediaries

The breakdown of the balances of the "Banks and Credit Institutions" and "Other Financial Intermediaries" liability captions in the accompanying consolidated balance sheets, by currency and type, is as follows:

	2014	2013
By currency:		
In Euros	20,069	16,036
In foreign currency (Note 29)	4,118	3,052
	24,187	**19,088**
By type:		
Demand deposits:		
Correspondent bank accounts	9,503	5,674
Time deposits	14,684	13,414
	24,187	**19,088**

Thousands of Euros

The breakdown by maturity from the balance sheet date of the time deposits recorded in this caption of the accompanying consolidated balance sheets is as follows:

	2014	2013
Up to 1 month	7,570	6,240
From 1 month to 3 months	4,114	2,174
From 3 months to 1 year	3,000	5,000
	14,684	**13,414**

Thousands of Euros

NOTE 15 | Customer deposits

The detail of the balance of this caption of the accompanying consolidated balance sheets, by currency and type, is as follows:

	2014	2013
By currency:		
In Euros	1,463,923	1,252,997
In foreign currency (Note 29)	391,635	436,060
	1,855,558	**1,689,057**
By type:		
Demand deposits:		
Checking accounts	1,146,387	1,132,074
Saving accounts	69,157	63,679
	1,215,544	1,195,753
Time deposits:		
Certificates of deposits	639,756	493,056
Other	258	248
	640,014	493,304
	1,855,558	**1,689,057**

Thousands of Euros

The breakdown by maturity from the balance sheet date of the time deposits recorded in this caption of the accompanying consolidated balance sheets is as follows:

	2014	2013
Up to 1 month	74,371	40,908
From 1 month to 3 months	127,219	91,452
From 3 months to 1 year	376,853	270,712
From 1 year to 5 years	61,571	90,232
	640,014	**493,304**

Thousands of Euros

There were no balance with no specified maturity as of December 31, 2014 and 2013.

NOTE 16 | Provisions for contingencies and expenses

Provisions for pensions and similar obligations

The provisions recorded in this liability caption of the accompanying consolidated balance sheets relate to the pension allowance set up for employees (see Note 3-k).

The variations in 2014 and 2013 in the balance of this caption were as follows:

	2014	2013
Opening balance	10,415	10,964
Add:		
Period provision charged against personnel expenses	12	13
Extraordinary provision charged against income (Note 22)	43	-
Return on assets assigned to the allowance (financial cost)	301	300
Less:		
Allowance application	(3,072)	(862)
Closing balance	**7,699**	**10,415**

Thousands of Euros

Provisions for futures

The variations in 2014 and 2013 in "Provisions for futures" in the liabilities caption in the accompanying consolidated balance sheet were as follows:

	2014	2013
Opening balance	145	109
Add:		
Provision to allowance	412	88
Less:		
Allowance application	-	(52)
Closing balance	**557**	**145**

Thousands of Euros

Other provisions

The variations in 2014 and 2013 in "Other Provisions" in the liabilities caption in the accompanying consolidated balance sheet were as follows:

	2014	2013
Opening balance	2,315	2,009
Add:		
Provision to allowance	3,287	829
Less:		
Allowance application	(956)	(523)
Closing balance	**4,646**	**2,315**

Thousands of Euros

"Other provisions" mainly includes the provisions needed regarding early retirements commitments (see Note 3-k) as of December 31, 2014 and 2013, which amounted to €1,566 thousand and €2,198 thousand, respectively.

The residual provision covers other risks related to the activity of the Group on financial distribution and intermediation.

NOTE 17 | General risk allowance

The amount of the provisions recorded in this liability caption of the accompanying consolidated balance sheets relates to the allowance that the Group has set aside, for conservative reasons, by reference to the risks inherent to banking and financial activities.

Under current regulations, this general allowance is considered as equity for the purpose of calculating the capital ratio.

The variations in 2014 and 2013 in the balance of this caption were as follows:

	2014	2013
Opening balance	-	-
Add:		
Provision to allowance	2,981	-
Closing balance	**2,981**	**-**

Thousands of Euros

NOTE 18 | Subordinated debt

On July 28, 2006, BIBM Preferents Ltd (see Note 2-d) issued non-voting preferred stocks in the amount of €60,000 thousand. These preferred stocks have no specified maturity; however, the issuer is entitled to depreciate them in advance each year, subject to the prior approval of INAF. The preferred stock carries a dividend of 5% per year, which is fixed for the first three years after issue and variable yearly thereafter in line with the 10-year CMS (Constant Maturity Swap) rate plus 30 basis points and with a maximum rate of 8% per year.

Mora Banc Grup, SA owns 100% of the capital stock of BIBM Preferents Ltd. To underwrite the abovementioned issue, Mora Banc Grup, SA has issued an irrevocable subordinated guarantee in favor of and for the benefit of the preferred stock subscribers.

Previously, on May 31, 2006, the Board of Directors of INAF gave authorization for the abovementioned issue of preferred stocks to be considered as equity for the purpose of calculating the Group's consolidated capital ratio.

In 2014 Mora Banc Grup, SA purchased preferred shares of the issue launched by BIBM Preferents Ltd for €6,556 thousand and sold preferred shares totaling €3,718 thousand, thereby resulting in the amount of subordinated debt recognised under "Subordinated debt" in the accompanying consolidated balance sheet being reduced by the same net amount, giving rise to a balance of €56,675 thousand at December 31, 2014.

NOTE 19 | Accrual accounts - liabilities

The detail in this liability caption of the accompanying consolidated balance sheets as of December 31, 2014 and 2013 is as follows:

	2014	2013
Unpaid accrued expenses		
Interests	5,670	5,545
Commissions	3	2
Others	6,133	7,067
	11,806	12,614
Unearned revenue		
Interests	28	19
Commissions	236	344
Others	-	20,487
	264	20,850
	12,070	**33,464**

Thousands of Euros

The income recognised under "Other" received in advance relates to the deferred profit obtained on the sale of financial assets classified as held-to-maturity investments, which have been unsubscribed and recognized in the income statement according to the relevant INAF authorization (see Notes 3-g.b and 8).

NOTE 20 | Taxes

The breakdown of tax assets and liabilities at December 31, 2014 is as follows:

Assets – Taxes	
Withholdings and payments on account	3,315
Liabilities – Taxes	
Collection accounts	7,172

Thousands of Euros

The caption "Withholdings and payments on account" includes payments on account presented in 2014 related to Income tax and Indirect tax, amounting €1,766 thousand and €1,549 thousand, respectively. Additionally, the caption "Collection accounts" includes the accrued expenses corresponding to Income tax amounting €2,896 thousand. This caption also includes withholdings of taxation of savings income, indirect tax on business and professional services and income tax on fiscal nonresidents, amounting €1,233 thousand, €2,924 thousand and €119 thousand, respectively.

Given that the company Mora Assegurances, SAU is consolidated through equity method, the asset (payments on account) and liabilities (accrued income tax) amounts, which arise to €236 thousand and €432 thousand respectively, are not recorded in the corresponding captions of the consolidated balance sheet. Likewise, expense of Mora Assegurances, SAU is recorded in income tax expense of the Group.

The Group's Directors and tax advisors consider that, in the event of a tax inspection, no significant tax contingencies would arise as a result of varying interpretations of the tax legislation applicable to the Group's transactions.

Income tax calculation

The reconciliation between the results for the year 2014 and the tax base of the fiscal group is as follows:

2014	
Profit attributable to the group before taxes	43,515
Permanent differences	2,680
Tax base	**46,195**
Tax rate	10%
Income tax fee	**4,620**
Deductions and bonuses	(1,292)
Income tax payable	**3,328**
Payments on account	(2,002)
Differential fee	**1,326**

Thousands of Euros

The permanent differences relate to items that have no income tax expense or character. The breakdown as of December 31, 2014 is as follows:

2014	
Results of foreign companies not subject to Income tax (Note 2-d)	3,133
Pension payments paid during the year	(1,203)
Local tax on income from tenants	4
Local tax on establishment of commercial, business and professional activity	736
Others	10
Total permanent differences	**2,680**

Thousands of Euros

The detail of deductions and credits that apply to share as of December 31, 2014 is as follows:

2014	
New investments in fixed assets assigned to operations in Andorra	(383)
Elimination of double international taxation	(102)
Local tax on income from tenants	(4)
Local tax on establishment of commercial, business and professional activity	(736)
Creation of jobs in Andorra	(67)
Total deductions and credits	**(1,292)**

Thousands of Euros

At December 31, 2014 the Group had no deferred tax assets or liabilities, nor unused tax loss carry forwards.

NOTE 21 | Equity

The breakdown of the accounts making up the Group's equity in 2014 and 2013 and of the variations therein is as follows:

	Capital Stock	Legal Reserve	Guarantee Reserves	Voluntary Reserve	Consolidation Reserves	Profit for the Year	Interim Dividends	Final Dividends	Total
Balance at December 31, 2012	**42,407**	**14,821**	**19,069**	**84,595**	**104,134**	**45,175**	**(25,000)**	**-**	**285,201**
Distribution of 2012 income	-	92	344	18,404	(3,665)	(45,175)	25,000	5,000	-
Final dividend	-	-	-	-	-	-	-	(5,000)	(5,000)
Interim dividend (Note 4)	-	-	-	-	-	-	(25,000)	-	(25,000)
Translation differences	-	-	-	-	349	-	-	-	349
2013 income	-	-	-	-	-	42,375	-	-	42,375
Balance at December 31, 2013	**42,407**	**14,913**	**19,413**	**102,999**	**100,818**	**42,375**	**(25,000)**	**-**	**297,925**
Distribution of 2013 income	-	-	1,404	8,297	2,674	(42,375)	25,000	5,000	-
Final dividend	-	-	-	-	-	-	-	(5,000)	(5,000)
Interim dividend (Note 4)	-	-	-	-	-	-	(25,000)	-	(25,000)
Translation differences	-	-	-	-	(1,029)	-	-	-	(1,029)
2014 income	-	-	-	-	-	40,187	-	-	40,187
Balance at December 31, 2014	**42,407**	**14,913**	**20,817**	**111,296**	**102,463**	**40,187**	**(25,000)**	**-**	**307,083**

Thousands of Euros

Capital stock

The capital stock shown in these consolidated financial statements relates to Mora Banc Grup, SA, and is composed by 7,056,000 fully subscribed and paid shares with a par value of €6.01 each, owned by an Andorran family group.

Legal reserves

Under the Companies' Law 20/2007 of October 18, public companies must deduct 10% of profit each year and transfer it to the legal reserve until this reserve reaches 20% of the capital stock. As of December 31, 2014 the legal reserve of the Banks and Mora Gestió d'Actius, SAU, was totally constituted.

Guarantee reserves

On February 2, 2011 the General Council of Andorra approved the law on the establishment of a banking deposit guarantee system for banking institutions, in order to guarantee the return of cash deposits and security deposits in banking institutions which are members of this system. This law derogates all other applicable standards related banking deposits guarantees for banking institutions.

The amount of the guarantee reserves established by the Group at December 31, 2014 is €20,607 thousand (see Notes 5 and 30).

The guarantee reserves also include €210 thousand from Mora Gestió d'Actius, SAU, in accordance with the obligation to keep a minimum equity reserve to guarantee the operational obligations of non-banking entities included in the financial system (see Note 5).

Legal reserves and guarantee reserves maintained by Mora Banc, SAU and Mora Gestió d'Actius, SAU have been deducted from voluntary reserves and consolidation reserves and are presented under the caption "Legal reserves" and "Guarantee reserves", respectively, so that it can be seen they are non-distributable.

Voluntary reserves

At December 31, 2014, under the caption "Voluntary reserves", the Group has a non-distributable reserve corresponding to the accumulated amortization as of December 31, 2011 of consolidated goodwill, plus the annual allocation for the 10% of its value. Likewise, the non-amortized amount of deferred charges is incorporated. As of December 31, 2014 and 2013, non-distributable reserves amounted to €2,729 thousand and €2,755 thousand, respectively.

Consolidation reserves

The consolidation reserves, including conversion differences, correspond to the following companies:

	2014	2013
Mora Banc, SAU	105,315	101,802
Mora Gestió d'Actius, SAU	3,304	2,981
Mora Assegurances, SAU	5,572	5,172
Mora Wealth Management AG	(8,779)	(9,054)
Mora Wealth Management LLC	(1,160)	501
Mora WM Securities, LLC	(1,674)	(438)
Serveis i Mitjans de pagament	(16)	-
Mora Wealth Management, SA	(99)	(146)
	102,463	**100,818**

Thousands of Euros

NOTE 22 | Extraordinary result

The breakdown of the balance of this caption of the accompanying consolidated income statements is as follows:

	2014	2013
Losses on disposal or retirement of fixed assets (Net)	(347)	(554)
Extraordinary provision/recovery to the pension allowance (Note 16)	(43)	261
Other extraordinary income/less (Net)	(2,193)	(921)
	(2,583)	**(1,214)**

Thousands of Euros

As of December 31, 2014 the caption "Other extraordinary income/loss" mainly includes losses from previous years and losses for extraordinary reversals.

NOTE 23 | Financial derivatives

The detail of outstanding financial derivatives as of December 31, 2014 and 2013, classified according to the purpose of the contracts, is as follows:

	2014			2013		
	Hedge	**Trading**	**Total**	**Hedge**	**Trading**	**Total**
Firm transactions:						
Currency sales and purchases	643,206	-	643,206	1,337,096	-	1,337,096
Interest-rate swaps	230,377	133,035	363,412	314,368	60,000	374,368
Interest-rate futures	-	25,922	25,922	-	-	-
Futures	5,692	-	5,692	-	-	-
	879,275	158,957	1,038,232	1,651,464	60,000	1,711,464
Option transactions:						
Securities options	153,061	-	153,061	259,327	-	259,327
Interest-rate	3,314	-	3,314	28,711	-	28,711
Currency options	81,385	-	81,385	362	-	362
	237,760	-	237,760	288,400	-	288,400
Other futures	194,894	-	194,894	149,096	-	149,096
	1,311,929	**158,957**	**1,470,886**	**2,088,960**	**60,000**	**2,148,960**

Thousands of Euros

As of December 31, 2014 and 2013 the Group held transactions contracted in organized markets for a total amount of €33,816 thousand and €2,504 thousand, respectively.

The face value of the existing contracts does not reflect the total risk held by the Group, since the net position to the foregoing transactions of these financial instruments is determined by their composition and/or combination. The open positions in relation to the foregoing transactions do not entail a significant interest-rate, currency or market risk.

The maturity structure from the balance sheet date of financial derivatives contracts held is as follows:

	2014	2013
Currency sales and purchases:		
Up to 1 year	643,206	1,337,096
	643,206	1,337,096
Interest-rate swaps:		
Up to 1 year	588	5,432
From 1 year to 5 years	99,349	78,555
Over 5 years	263,475	290,381
	363,412	374,368
Interest-rate futures:		
Up to 1 year	25,922	-
	25,922	-
Securities Futures:		
Up to 1 year	5,692	-
	5,692	-
Securities options:		
Up to 1 year	128,605	229,916
From 1 year to 5 years	24,456	29,411
	153,061	259,327
Interest-rate options:		
Over 5 years	3,314	28,711
	3,314	28,711
Currency options:		
Up to 1 year	81,385	362
	81,385	362
Other futures:		
Up to 1 year	168,427	92,552
From 1 year to 5 years	26,467	54,674
Over 5 years	-	1,870
	194,894	149,096
	1,470,886	**2,148,960**

Thousands of Euros

NOTE 24 | Third-party securities and other assets held in custody

This account reflects the market value of the securities and other assets deposited by customers and held in custody by the Group. The detail, by type of security, of the balance of this caption in the accompanying consolidated memorandum accounts is as follows:

	2014	2013
Common stocks and other equity securities	1,267,162	1,033,684
Debentures and other fixed-income securities	2,086,631	2,211,772
Securities of investment schemes not managed by the Group	1,063,600	721,501
Securities of investment schemes managed by the Group	1,840,196	1,759,287
Other	240,550	479,870
	6,498,139	**6,206,114**

Thousands of Euros

NOTE 25 | Third-party assets managed by the Group

The breakdown of third-party resources managed by the Group as of December 31, 2014 and 2013 is as follows:

CLIENT TYPOLOGY	2014			2013		
	Held in custody by the Company	Held in custody by third parties	Total	Held in custody by the Company	Held in custody by third parties	Total
Investment funds	1,737,642	-	1,737,642	1,713,201	-	1,713,201
Clients with assets under management	811,558	770,442	1,582,000	778,614	569,446	1,348,060
Others clients	3,964,301	-	3,964,301	3,644,069	-	3,644,069
Total	**6,513,501**	**770,442**	**7,283,943**	**6,135,884**	**569,446**	**6,705,330**

Thousands of Euros

NOTE 26 | Other memorandum accounts held solely for administrative control purposes

The breakdown of these captions in the accompanying consolidated memorandum accounts as of December 31, 2014 and 2013 is as follows:

	2014	2013
Guarantees and commitments received		
Guarantees	966,288	990,637
Other memorandum account		
Very doubtful assets	19,811	16,954
Own unlisted securities and assets	68,997	69,023
Trusts	130,718	63,763
Other	72,536	266,956
	292,062	416,696
	1,258,350	**1,407,333**

Thousands of Euros

The caption "Own unlisted securities and assets" includes the unlisted securities and assets already recognized in the balance sheet under investment securities.

The caption "Trusts" includes not listed securities and assets held in custody for third parties by the Group. These assets are booked for its face value.

The "Other" account includes time deposits with Banks and customers' certificates of deposit arranged with a value date after December 31.

NOTE 27 | Assets assigned as security

As of December 31, 2014 and 2013, there were assets assigned as security in the amount of €56,592 thousand and €5,450 thousand, respectively. These amounts relate to investment commitments acquired by the Group and the guarantee required for financial derivatives transactions arranged by the Group with other financial institutions.

NOTE 28 | Transactions with related parties and Group institutions

Details of balances in the accompanying consolidated financial statements as of December 31, 2014 resulting from transactions between the Group and related parties or Group companies that are not consolidated by the full integration method (see Note 2-d) exceeding 5% of profit for the year (in the case of the income statement) or 10% of shareholders' equity (in the case of the balance sheet) are disclosed below:

2014	Investees
Assets:	
Lendings	1,013
Investment securities	12,319
Accrual accounts	710
Other assets	219
	14,261
Liabilities:	
Creditors: customer deposits	153,547
Accrual accounts	130
	153,677
Memorandum accounts	**511,897**
Income statement:	
Interest income	143
Interest expense	(516)
Net service fee	5,939
Other	3,646

Thousands of Euros

All of the balances with investees relate entirely to Mora Assegurances, SAU, which is consolidated by the equity method (see Note 2-d).

As of December 31, 2014 there are no transactions with shareholders, other subsidiaries, members of Board of Directors or Management, or with other related parties, exceeding 5% of profit for the year (in the case of the income statement) or 10% of shareholders' equity (in the case of the balance sheet).

NOTE 29 | Risk management

Credit risk

The main risks held by the Group as of December 31, 2014 and 2013, are concentrated in the "Financial Intermediaries", "Lendings" and "Investment Securities" asset captions in the accompanying consolidated balance sheets.

Credit risk is the possibility of loss stemming from the total or partial failure of our customers or counterparties to meet their financial obligations to the Bank.

With the aim of reducing the credit risk associated with transactions with other financial institutions, the Group pursues a conservative policy with regard to the assessment and diversification of counterparties and exposition limits, and requires, among others, a minimum rating from rating agencies reports, Credit Default Swap (CDS) senior levels and risk of the settling country. Risk control is performed using an integrated, real-time system that enables the Bank to know at any time the unused exposure limit with respect to any counterparty, by product and maturity.

All of the derivatives exposure is to financial institutions with which transactions are entered into under netting and collateral arrangements.

The risk resulting from customer loans is continuously monitored by a unit set up specifically for this purpose by the Group. The credit risk management process consists of identifying, controlling and deciding about the risks incurred due to the Bank operations. Both the business areas and the senior management intervene during this process. Likewise, the Board of Directors is also involved, defining the limits and delegations of faculties, as well as the Risk Committee, which approves and monitors the framework of activity of the risk function.

The accounting policy for hedging against credit risk on the loan portfolio is described in Note 3-e.

Country risk

Country-risk is a credit risk component that includes all cross-border credit transactions, whether due to usual trade circumstances or financial investments.

Country-risk management principles follow the principle of maximum prudence, so exposures that do not fall within Group 0 or 1 in the OECD country-risk classification are not generally authorized.

Market risk

The Group has a Market Risk Management Unit. One of the basic functions of this unit is to measure, control and monitor market risks, and evaluate exposure and compliance with the limits assigned. It also assesses implements and maintains the computer tools used.

These functions are supervised by the Asset and Liability Committee (ALCO), which is made up of members of the Group's general management, among others. The committee meets up at least once a month and its task is to analyze the positions giving rise to market risk, and define the strategies that the Group must follow. The Banks' Boards of Directors are periodically informed of the level of risk held and establish maximum absolute exposure levels for this risk.

Estimating potential losses in adverse market scenarios is the key factor for measuring market risk. Therefore, the historical simulation method for calculating Value at Risk (VaR) is used.

The advantages historical simulation VaR as risk measure since it is based on market movements that have taken place in the past and therefore avoids making assumptions about the behavior of market factors, as well as their correlations. From a time frame of 256 days of daily data historical VaR is calculated assuming uniform weights for all observations.

The VaR used measures the maximum potential loss for each day with a 99% confidence level that investment securities could suffer as a result of the volatility in financial markets, as well as interest and exchange rates, and credit markets through spread operations. This calculation is currently performed daily and is made by reference to market risk factors: currency, interest rates, equity security prices and the volatility of options on these, on the basis of historical data on daily market prices and the observed interaction between these factors. The prevailing market risk limits model consists of a system of VaR limits and sub-limits, as well as stop-loss limits for some of the trading activities. This system of limits is supplemented by estimates of the impact of extreme market movements on risk positions. Stress testing on historical crisis scenarios is currently being performed, as well as impact analyses on the behavior of several financial variables that may be plausible but do not correspond to past situations.

Since the historical simulation VaR also has its limitations: basically high sensitivity data window used and the inability to capture plausible events that have taken place within the historical range used, the Group adjusts the calculation of these limitations using a daily calculation of the Stressed VaR and the expected shortfall. Unlike VaR, has the advantage of better capture the risk of high losses of low probability, which is known as tail risk.

The maximum exposure thresholds established for 2014 and 2013 under the VaR method, and the maximum exposure reached in these years, for each risks factor, are as follows:

2014	Currency	Interest rate	Equity securities	Credit	Total
Established threshold					900
Maximum exposure reached	121	171	44	562	587
2013					
Established threshold					900
Maximum exposure reached	-	331	168	25	482

Thousands of Euros

Currency risk

According to the valuation standards defined in Note 3-c, the total foreign currency assets and liabilities held by the Group as of December 31, 2014 and 2013, are as follows:

	2014	2013
Due from financial intermediaries (Note 6)	258,652	348,618
Lendings (Note 7)	79,323	54,755
Investment securities	23,123	26,667
Other	33,139	26,446
Total assets	**394,237**	**456,486**
INAF (Note 13)	-	9,393
Deposits: banks and financial intermediaries (Note 14)	4,118	3,052
Deposits: customer deposits (Note 15)	391,635	436,060
Other	7,007	6,835
Total liabilities	**402,760**	**455,340**

Thousands of Euros

As of December 31, 2014 and 2013, the currency risk associated with most of the balances held in foreign currencies had been hedged with financial derivatives (see Note 23) or equity transactions.

Interest-rate risk

The Assets and Liabilities Committee (ALCO) is in charge of managing the interest rate risk of the balance structural positions, following the related regulations established by the Board of Directors.

Generally, framed in a context of low interest rates, the Entity's positioning has been to maintain the balance with positive sensitivity to increases in interest rates, both in terms of net interest income and economic value. Nevertheless, the exposure level is very low compared to the amount of Group equity.

Nevertheless, the effect of a hypothetical 1% variation in the current market interest rates on the Group's assets, liabilities and memorandum accounts will not imply a significant variation in Group equity.

Price risk: fair value of assets and liabilities

Fair value is the amount for which an asset may be exchanged between an experienced buyer and seller, or a liability settled between an experienced debtor and creditor acting on an arm's-length basis.

Recording transactions at their fair value, taking into account the accounting methods used and their maturity dates, would not have given rise to any material gains or losses in relation to the Group's net worth.

Liquidity risk

The purpose of liquidity and financing risk management is to prevent the entity from having difficulties in meeting its payment commitments or from having to get funds in onerous conditions in order to meet them.

During the stress period experienced in the last years, the management of the maturity structure of the Group's assets and liabilities has allow it to enjoy a privileged position, which has given it a competitive advantage to carry out its activity in a more demanding environment.

Decisions regarding all structural risks, including liquidity risk, are made by the entity's Assets and Liabilities Committee (ALCO).

The Group, through its balance sheet management unit, manages liquidity and financing according to the policies set by the Board of Directors, at the proposal of the Risk Department, which performs an independent measurement and monitoring of liquidity risk and periodical stress testing.

Operational risk

The Group defines operational risk as the risk of loss derived from deficiencies in internal processes, human resources or systems, as well as losses caused by external circumstances.

The Group's objective regarding operational risk control and management is based on identifying, measuring and controlling operational risk events regardless of whether they have an impact on the income statement. Thus, the priority is identifying the risks and mitigating them by designing action plans that eliminate or minimize them.

The phases of operational risk management are as follows:

a. Identification of risks, which is carried out using a mapping of the processes of each area and activity, identifying existing controls.

b. Objective and continual measurement and assessment of operational risk, which is carried out based on internal standards, and risk tolerance levels are established.

c. Monitoring and mitigation, which is carried out through a continual follow-up of operational risk exposures by implementing controls to improve internal knowledge and mitigate potential losses.

d. Information, which is periodically generated through reports on operational risk exposures and its level of control by the Group's units and senior executives.

NOTE 30 | Regulations compliance

Law regulating the capital and liquidity requirements for financial institutions

On February 29, 1996, the General Council of Andorra passed a law regulating the liquidity and capital requirements for financial institutions.

This law specifies that banks must maintain a capital ratio of at least 10%, as recommended by the Basle Committee on Banking Regulation and Supervisory Practices. The law also establishes a mandatory liquidity ratio of at least 40%.

The Group's capital and liquidity ratios, which were determined in accordance with the provisions of this law, stood at 27.36% and 68.90% as of December 31, 2014, and 33.52% and 77.84% as of December 31, 2013.

The law regulating the capital and liquidity requirements for financial institutions also limits the concentration of risks in a single beneficiary to 20% of Group equity. Under this law, the aggregate of risks individually exceeding 5% of equity may not exceed 400% of equity. Likewise, the risk on transactions with members of the Board of Directors may not exceed 15% of equity. These risks are weighted in accordance with the provisions of the above-mentioned law.

The highest risk exposure reached with the same beneficiary was of 18,46% of Group equity in 2014 and 12.71% in 2013. Loans and other transactions entailing a risk exceeding 5% of equity with the same beneficiary did not exceed an accumulated total of 92.36% in 2014 and 56.31% in 2013.

Law on international cooperation on penal matters and measures against the laundering of money or securities which are the proceeds of international crime, and against terrorist financing

On March 27, 2014, the General Council of Andorra passed the Law 4/2014 of March 27, on the amendment of the Law of international cooperation on penal matters and measures against money laundering or securities from international crime, and against terrorist financing, of December 29, 2000. This Law entered into force given the approval by MONEYVAL of the assessment report by the Principality of Andorra, which evidences the evolution and enduring intensification of prevention and repression measures adopted, in its plenary session of March 8, 2012.

In this context, it became necessary to adapt the Law of international cooperation on penal matters and measures against money laundering or securities from international crime, and against terrorist financing, of December 29, 2000, to the essential standards established in the new Recommendations 6 and 7 defined by the Financial Action Task Force on Money Laundering (FATF), passed on February, 2012. Accordingly, measures and specific legal dispositions for prevention and action against terrorism financing and proliferation of mass destruction weapons were established, harmonized with the international environment, easily identifiable for international regulation bodies and adapted to particularities of the Andorran legal framework.

The Law consists of three articles through which, on the one hand, several measures are established, harmonized with the international context, for prevention and action against terrorism and its financing and for prevention and disorganization of proliferation of mass destruction weapons and its financing. On the other hand, several technical adjustments to the penalty system are undertaken. Through the aforesaid regulatory reform, Andorra enforces its commitment to prevention and repression of terrorism financing and proliferation of mass destruction weapons, by a constant adaptation process of the Andorran legal framework to the evolution of international standards, according to fundamental principles that inform the criminal policies of the Principality of Andorra.

Under Article 52 of this Law, the Group established a series of internal communication and control procedures aimed at preventing and stopping money laundering and terrorist financing transactions. Thus, the Banks have implemented staff training programs specifically addressing these topics.

Law on organizational requirements and operating conditions for entities operating in the financial system, investor protection, market abuse and financial guarantee agreements

At its session held on May 9, 2013, the General Council of the Principality of Andorra approved the Law 8/2013, of May 9, on organizational requirements and operating conditions for entities operating in the financial system, investor protection, market abuse and financial guarantee agreements, for the purpose of maintaining a functionally and structurally sound financial system.

This Law includes the basic administrative regime for entities operating in the financial system until the date established by Law 14/2010, of May 13, on the legal regime of banking institutions and the basic administrative regime for entities operating in the financial system.

It also contains investor protection requirements, thereby continuing the provisions until the date established by Law 14/2010, which included the principles established in Directive 2004/39 EEC of the European Parliament and of the Council, of 21 April 2004, known as MiFID (Markets in Financial Instruments Directive).

The Group complies with these organizational requirements.

Agreement between Andorra and the European Community in relation to the establishment of measures equivalent to those provided in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments

On February 21, 2005, the Andorran government ratified the agreement between Andorra and the European Community in relation to the establishment of measures equivalent to those provided in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments. In addition, on June 13, 2005, the Government passed the law implementing the above agreement.

In 2014, the Group, acting in its capacity as payment agent, complied with the obligations contained in the agreement and its implementing law, and settled the amount of the withholding in accordance with the abovementioned legislation.

Law on the establishment of a banking deposit guarantee system

On February 2, 2011 the General Council of Andorra approved the law on the establishment of a banking deposit guarantee system. The purpose of the guarantee system is to ensure that the beneficiaries will be refunded the amount of their covered cash deposits, with a maximum limit per beneficiary of €100,000, and of the covered securities deposits, also with a maximum limit per beneficiary of €100,000 separated from the first one.

Under this law, the institutions in the Andorran financial system are required to establish and keep investments in liquid and secure assets as a counterpart to a non-distributable reserve subject to meeting the guarantees covered by the guarantee system. The maximum total amount of the guarantee reserves for all the members of the system is €94.1 million at the beginning and an annual contribution plan will be established until reaching 1.5% of the calculation basis set forth in the aforementioned law, which will also be the maximum hedge limit of the guarantee system for all beneficiaries. In any case, guarantee reserves cannot exceed the overall and absolute limit of €200 million.

The amount of the guarantee reserves established by the Group, for this concept, at December 31, 2014 is €20,607 thousand (see Notes 5 and 21). The Group has invested an amount equal to the guarantee reserves in fixed interest securities –government debt securities from OECD countries, in conformity with the requirements set forth in the aforementioned law.

General Indirect Tax Law

Further to Law 11/2012, of 21 June, subsequently amended by Law 29/2012, of 18 October, on 1 January 2013, the general indirect tax came into force, thereby repealing the previous Indirect General Tax Law relating to the provision of banking and financial services.

The general indirect tax is levied on the economic capacity disclosed provided that end consumption of a good or service occurs. The tax rate applied to provisions of banking and financial services is a progressive tax rate of 9.5%.

Law 10/2014 of June 3, modifying Law 11/2012 of June 21 on the general indirect tax, amended by Law 29/2012 of October 18 and Law 11/2013 of May 23, introduces a limitation to the right of deducting the supported quotas to financial entities for a maximum annual amount equivalent to the 10% of the transferred quotas at a 9.5% tax rate, with the limitation of the supported tax in its subject activity. The limitation came into force on July 1, 2014.

Law on income tax

In accordance with Law 95/2010, of December 29, on the corporate income tax, Law 17/2011, of December 1 on the modification of Law 95/2010, and applicable regulations on Law 95/2010 on the corporate income tax, a corporate income tax is officially established.

In accordance with Law 95/2010, the general tax rate for the obliged taxpayers is 10%.

Article 25 of the Law 95/2010 regulates the special tax consolidation system. In this regard, Mora Banc Grup, SA is the parent company of the consolidation tax group, being the subsidiaries Mora Banc, SAU, Mora Gestió d'Actius, SAU and Mora Assegurances, SAU.

Law on the tax on income of fiscal non-residents

On December 29, 2010 the General Council of Andorra passed Law 94/2010 on the income of fiscal nonresidents, which levies income obtained in Andorra by people and entities considered by the law as fiscal nonresidents. The Bank is obliged to withhold the said tax and has applied a 10% general tax rate in 2014. This law is effective as of April 1, 2011. On December 1, 2011 the General Council of Andorra passed Law 18/2011, effective as of January 1, 2012, on the modification of Law 94/2010.

The amounts withheld for this concept and pending payment, corresponding to the last quarter of 2014, are included in the caption "Other Liabilities – Taxes" in the accompanying consolidated balance sheet.

NOTE 31 | Community activities and similar

The Group has no legal or statutory community obligations. Nevertheless, the Group has always been deeply involved, through the sponsorship and subsidization of a wide range of events, in the development of the society in which it operates in. During 2014, the Group continued this policy. Thus, it has collaborated with public bodies as the Andorran government and different City Councils, as well as social organizations / civil society, in several activities in the field of culture, education and training.

NOTE 32 | Subsequent events

On January 14 and 30, 2015, Mora Banc Grup, SA signed a purchase agreement with a relevant part of Tressis Sociedad de Valores, S.A's shareholders, for the acquisition of 86.01% of its social capital.

The effectiveness of the transaction is subject to certain conditions amongst which there are INAF's and CNMV's authorization and non-opposition, respectively. To this end, the Group has requested to INAF on February 3, 2015, the procurement of a previous authorization for the acquisition with intended permanence of a qualified share in Tressis, Sociedad de Valores, S.A. Likewise, on January 31, 2015 a non-opposition file was presented to CNMV regarding change in control as a consequence of the purchase of 86.01% of Tressis Sociedad de Valores, S.A.'s share capital by Mora Banc Grup, S.A.

NOTE 33 | Explanation added for the translation into English

These consolidated financial statements are presented in accordance with the generally accepted accounting principles and standards established by the chart of accounts of the Andorran financial system. Certain accounting practices applied by the Group that conform with generally accepted accounting principles in Andorra may not conform with generally accepted accounting principles in other countries.

8

INDIVIDUAL BALANCE SHEETS OF THE BANKS

MORA BANC GRUP, SA

Balance sheets as of December 31, 2014 and 2013

ASSETS	2014	2013
Cash on hand and due from OECD central Banks	**20,310**	**18,056**
Due from INAF	**-**	**-**
Due from financial intermediaries	**904,993**	**1,153,081**
Banks and credit institutions	903,332	1,150,986
Other financial intermediaries	2,003	2,180
Less - allowance for credit losses	(342)	(85)
Lendings	**345,564**	**214,824**
Loans and credits	358,360	208,711
Customer overdrafts	3,420	7,056
Customer bill portfolio	580	614
Less - allowance for credit losses	(16,796)	(1,557)
Investment securities	**463,527**	**392,667**
Debentures and other fixed-income securities	338,949	373,288
Less - allowance for credit losses	(1,448)	(1,105)
Investments in group companies	80,173	13,825
Less - security price fluctuation allowance	(3,926)	(3,458)
Other investments	20,726	49
Common stocks and other equity securities	2,892	86
Investment funds	26,161	9,982
Intangible assets and deferred charges	**8,503**	**10,322**
Goodwill	800	800
Intangible assets and deferred charges	85,617	80,525
Less - accumulated amortization	(77,914)	(71,003)
Property and equipment	**58,770**	**58,573**
Property and equipment	93,417	91,072
Less - accumulated depreciation	(34,563)	(32,474)
Less - allowance for decline in value of property and equipment	(84)	(25)
Accrual accounts	**12,326**	**7,029**
Uncollected accrued interest	8,102	6,691
Prepaid expenses	4,224	338
Other assets	**10,885**	**5,496**
Current transactions	3,844	2,255
Inventories	185	213
Options purchased	53	420
Other	5,085	1,541
Taxes	1,718	1,067
TOTAL ASSETS	**1,824,878**	**1,860,048**

Thousands of Euros

LIABILITIES AND EQUITY	2014	2013
Due to INAF	**843**	**24,741**
Deposits	**1,544,482**	**1,528,096**
Banks and credit institutions	485,997	527,314
Other financial intermediaries	6,404	6,205
Customer deposits	1,052,081	994,577
Debt securities	**-**	**-**
Provisions for contingencies and expenses	**12,902**	**12,875**
Provisions for pensions and similar obligations	7,699	10,415
Provisions for futures	557	145
Other provisions	4,646	2,315
General risk allowance	**2,841**	**-**
Subordinated debt	**56,675**	**59,513**
Accrual accounts	**10,067**	**30,968**
Unpaid accrued expenses	9,830	10,136
Unearned revenue	237	20,832
Other liabilities	**15,729**	**24,241**
Current transactions	8,831	18,096
Options issued	160	422
Trade and other accounts payable	117	303
Taxes	6,621	5,420
Capital stock	**42,407**	**42,407**
Capital stock	42,407	42,407
Reserves	**132,207**	**122,303**
Legal reserve	8,481	8,481
Guarantee reserves	12,430	10,823
Voluntary reserves	111,296	102,999
Profit	**6,725**	**14,904**
Profit for the year	31,725	39,904
Less - interim dividends	(25,000)	(25,000)
TOTAL LIABILITIES AND EQUITY	**1,824,878**	**1,860,048**

Thousands of Euros

MORA BANC, SAU

Balance sheets as of December 31, 2014 and 2013

ASSETS	2014	2013
Cash on hand and due from OECD central Banks	**3,093**	**3,345**
Due from INAF	**-**	**-**
Due from financial intermediaries	**461,810**	**508,228**
Banks and credit institutions	461,810	508,228
Lendings	**719,903**	**729,539**
Loans and credits	732,049	730,602
Customer overdrafts	2,444	3,671
Customer bill portfolio	6,079	5,186
Less - allowance for credit losses	(20,669)	(9,920)
Investment securities	**49,912**	**26,035**
Debentures and other fixed-income securities	21,538	21,538
Investments in group companies	23,875	-
Common stocks and other equity securities	4,499	4,497
Intangible assets and deferred charges	**-**	**-**
Intangible assets and deferred charges	65	70
Less - accumulated amortization	(65)	(70)
Property and equipment	**47,972**	**41,670**
Property and equipment	62,866	56,273
Less - accumulated depreciation	(5,395)	(5,234)
Less - allowance for decline in value of property and equipment	(9,499)	(9,369)
Accrual accounts	**2,617**	**2,497**
Uncollected accrued interest	2,588	2,468
Prepaid expenses	29	29
Other assets	**4,289**	**468**
Current transactions	4,217	420
Taxes	72	48
TOTAL ASSETS	**1,289,596**	**1,311,782**

Thousands of Euros

LIABILITIES AND EQUITY	2014	2013
Due to INAF	**1,229**	**1,556**
Deposits	**1,161,234**	**1,186,435**
Banks and credit institutions	356,428	491,955
Customer deposits	804,806	694,480
Debt securities	**-**	**-**
Provisions for contingencies and expenses	**-**	**-**
General risk allowance	**140**	**-**
Subordinated debt	**-**	**-**
Accrual accounts	**1,167**	**1,019**
Unpaid accrued expenses	1,140	1,001
Unearned revenue	27	18
Other liabilities	**3,116**	**1,790**
Current transactions	1,966	442
Trade and other accounts payable	85	548
Taxes	1,065	800
Capital stock	**30,060**	**30,060**
Capital stock	30,060	30,060
Reserves	**90,922**	**87,665**
Legal reserve	6,012	6,012
Guarantee reserves	8,177	8,380
Voluntary reserves	76,733	73,273
Profit	**1,728**	**3,257**
Profit for the year	1,728	3,257
Less - interim dividends	-	-
TOTAL LIABILITIES AND EQUITY	**1,289,596**	**1,311,782**

Thousands of Euros

9

CORPORATE RESPONSIBILITY REPORT

CORPORATE RESPONSIBILITY REPORT

1 | OUR VISION OF CORPORATE SOCIAL RESPONSIBILITY

1.1 | MoraBanc, a company focused on the country's sustainable development

To be socially responsible, with ethics and coherence as essential values, that is our fundamental strategic objective We believe that our strategy and decision-making should be aimed at contributing to the sustainable development of Andorra at the economic, cultural, social, and environmental levels.

At MoraBanc, we want to place sustainability firmly at the heart of our business model, investing in multiple projects, and creating a social and environmental impact with all our activities. We are constantly searching for the ideal course of action for each interest group (our clients, the community, and the MoraBanc team), and we seek the most suitable way to contribute actively and voluntarily towards improving Andorran society, while at the same time making a firm commitment to the environment.

Our organisation's main concern is to satisfy the client and to meet and exceed his expectations. At the same time, MoraBanc contributes to the Andorran community in many ways, including various activities in the fields of science, the arts, sports, and humanitarian initiatives; and our concern for sustainability and for the need to respect the environment goes beyond the bounds of the company itself. We work to transmit this philosophy to the public, with acts aimed at raising awareness across all sorts of fields, starting with the organisation itself. Our commitment to the environment goes a long way back and forms part of our culture.

Caring for the client, the community, and the environment is essential at MoraBanc, but we will only achieve this with a committed, prepared, and fully engaged team. Every day, we work to infuse into our workforce the philosophy of a family bank, a traditional bank, a responsible bank, in short, a bank that collaborates.

1.2 | MoraBanc's vision and values; CSR, linchpin for our corporate strategy

MoraBanc's vision and mission are consistent with the fundamental values that define its organisational culture, in so far as their aim is to contribute to the sustainable development of Andorran society, while at the same time integrating CSR into the competitive model.

1.3 | The main and specific objectives for 2015, aimed at making our vision a reality

In terms of CSR, we have drawn up policies and initiatives aimed at bringing the MoraBanc vision closer and which enable us to set clear targets, defined responsibilities, and measurable results.

Contribute to the sustainable, economic, cultural, social, and environmental development of Andorra

RESPONSIBILITY AND TRANSPARENCY	INTEGRATE CSR INTO PRODUCTS AND SERVICES	EXEMPLARY ORGANISATION	INVESTMENT IN ANDORRA
2015 Initiatives			
• Improve communication in the CSR strategy • Sign and implement international CSR initiatives	• Define a clear CSR vision, consistent with and integrated into the business vision • Develop products and services that integrate asepcts of CSR	• Manage the environmental impacts of the Bank's activities • Implement CSR policies with suppliers • Develop responsible labour policies	• Invest in community inititiatives that have a CSR focus

1.4 | The value generated for the community by our new social responsibility policy

Key figures relating to value generation for the country*

MoraBanc employees
368

Andorran economy
€1.08Bn
of lending to companies, households, and projects in general.

Solidary cards
44%
of all cards and overall investment in NGO (bank and clients): **€131,904**

Investment in society
2%
of profit

Investment in the environment
268,558€
including the investment to reduce our footprint, to offset emissions, and in promotional activities.

Emissions per employee
2,3t CO_2 eq

**MoraBanc figures as at 31/12/2014.*

2 | THE CLIENT, OUR PRIMARY OBJECTIVE

2.1 | Products and services adapted to the real needs of our clients / territoris

Our group's main proposal in relation to products and services is territoris MoraBanc, a strategy that has been developed with the aim of presenting a new way of relating to clients and carrying out banking in this Andorra. In this way, MoraBanc offers each client profile a tailor-made proposal that meets and even exceeds his expectations with added services.

We have created fourteen specialised territoris, based on the age and needs of each client group at each moment in time, with the aim of accompanying them and offering them suitable solutions at all times and stages of their lives. MoraBanc offers a range of advantages to young people between the ages of 16 and 35, to civil servants, to senior citizens, to micro-companies, to commerce, to employees, and to the professions, among others.

We highlight the recently created department for international residents, which is to offer a special and personalised service to the growing segment of foreign residents.

MoraBanc offers each client profile a tailor-made proposal that meets and even exceeds his expectations with added services.

2.2 | Client protection and the principles of good governance

There are some essential principles behind the overall management of MoraBanc and its subsidiàries, which are respect for the law, professional ethics, transparency, and innovation. These are fundamental to the way we manage our clients and therefore also to the company's good governance.

In order to protect the client, the bank has three areas for controlling its guiding principles: Legal Compliance, Risk, and Internal Auditing.

In order to guarantee these values and principles to our clients and to society, everyone who works for MoraBanc is subject to a code of ethics and conduct.

In order to protect the client, the bank has three areas for controlling its guiding principles: Legal Compliance, Risk, and Internal Auditing.

Legal Compliance: department that acts independently and is responsible for the supervision, control, and verification of the ongoing and effective compliance with the legal and regulatory obligations of the rules of conduct and ethics, and also of the company's internal policies. Its sphere of operation covers the company itself, senior management, and all staff and designated financial agents, the objective being to protect clients and to reduce compliance risk and other risks associated with the various activities.

Risks: the risk management and control model ensures that the defined risk profile remains within the established limits. In the same way, it incorporates the corrective policies required for maintaining risk levels in line with the objectives defined by group strategy.

Internal Auditing: control area with an independent, permanent, impartial, and objective role that involves examining, evaluating, and supervising the organisation's internal control and management systems. It makes conclusions and recommendations, and verifies their implementation.

2.3 | Client satisfaction

In order to ascertain the level of client satisfaction, we have introduced a new methodology into our quality control, the Net Promoter Score (NPS), system that enables us to gauge client satisfaction solely based on their answer to the following question: "To what extent would you recommend MoraBanc to your family, friends, and colleagues?"

We also assess other aspects such as the Bank's facilities, the level of customer care and professional competence shown by our staff, and the response time for phone enquiries. The survey, which can be carried out over the phone or via email over different periods, provides MoraBanc management with the NPS ratios in real time. The figure is the difference between the percentage of positive replies (promotors) and negative replies (detractors). A detractor is someone who gives the Bank less than a 6, and a promotor is someone who gives it a 9 or 10.

The aim of the system is to identify the motives for disatisfaction, so as to improve the Bank's customer service, products, and services in general, and to guarantee constant improvement.

2.4 | New communication channels: MoraBanc 2.0

MoraBanc's maxim is to keep close to its clients, and this is clearly reflected in one of its main slogans: "With you!". In order to develop this aspect and to be present in all possible channels, MoraBanc is active in the social network universe and has profiles in Facebook, Twitter, Linkedin, Instagram, Unience, and Youtube. We also have an online pressroom on our website, with all the bank's news, which clients, professionals, and the general public can access easily.

In 2013, MoraBanc launched Voces Económicas, a blog specialising in economics, which it hopes to turn into a sector reference. It features posts by professionals from a range of fields, in an attempt to provide a practical resource full of information for all those interested or affected by the changing global economy.

Examples of articles that have had considerable repercussion:

INTERNET, SECURITY, AND COMMON SENSE: 9 PIECES OF ADVICE TO REMEMBER
Article by Enrique Dans
3,451 visits (26.5% of total)

RE-THINKING THE SHARING ECONOMY
Article by Enrique Dans
511 visits (3.9% of total)

Interesting figures as at 31/12/2014:

YOUTUBE	TWITTER	FACEBOOK	INSTAGRAM	LINKEDIN	UNIENCE	VOCES ECONÓMICAS
79 uploaded videos	989 followers	3,113 followers	55 photos	971 followers	26 followers	8,837 visits 2014
61 subscribers	5,470 tweets	372 posts	178 followers	46 posts	15 posts	326 subscribers
40,495 total views						

Since 1996, MoraBanc has held the iso 9001 quality certification for the continual improvements it makes to its client services. The certification covers the design and marketing of investment funds and structured financial products, as well as customer services and private banking. This certification has been renewed every year, and we have successfully passed the internal and external audits, carried out by in-house personnel and Aenor respectively (Aenor is the leading player in certifications in Spain and one of the leading players globally in environmental and quality certification). The fundamental aim of this certification is to normalise processes and procedures, to guarantee the quality of these products/services, and to ensure that they meet the needs of the clients at whom they are directed and, as a result, the corporate results targets set and the encouragement of staff development. Again, the commitment of all the Bank's employees is absolutely key to achieving this certification. To summarise, the aim of the certification is client satisfaction and security in the processes it covers.

The successful management of our Bank has resulted in us winning several prizes in recent years. In 2009, 2011, and 2013, we were named Andorran Bank of the Year by the Financial Times' The Banker magazine; and in 2010, 2011 and 2014, we were names Best Andorran Banking Group by the prestigious financial magazine, World Finance.

3 | INITIATIVES IN BENEFIT OF THE COMMUNITY

MoraBanc is extremely involved in the Andorran community, and across a diversity of fields, such as the Music and Dance Season in the capital, initiatives in the field of spreading knowledge, sponsorship of sporting activities, and cooperation with NGOs.

Humanitarian organisations are the target of the solidary card, a committed decision by MoraBanc aimed at facilitating client collaboration with those most in need.

The Music and Dance Season in Andorra la Vella is undoubtedly our most significant contribution to culture.

For almost 20 years, MoraBanc has been sponsoring this event, which is considered the most important social and cultural display in the country. Since 2011, MoraBanc has taken an increasingly prominent role, and now organizes the Season in conjunction with the *comú* (city hall) as its main partner. It has increased its participation by providing more funding in order to ensure that the Season's programme gets better each year.

2014's edition presented a line up of top-class performers, such as: the soprano, Kiri Te Kanawa, accompanied by Gary Matthewan on the piano; Kool & The Gang; the Mariinsky Theatre Symphonic Orchestra, directed by Valery Gergiev; the Académie de Danse Princesse Grace de Monaco, directed by Luca Masala, and the BBC Big Band, which brought to a close a Season that met with huge public acclaim and a record attendance. The MoraBanc Music and Dance Season has a web microsite devoted to the project with all the relevant information as well as ticket sales:
www.temporadamorabanc.com

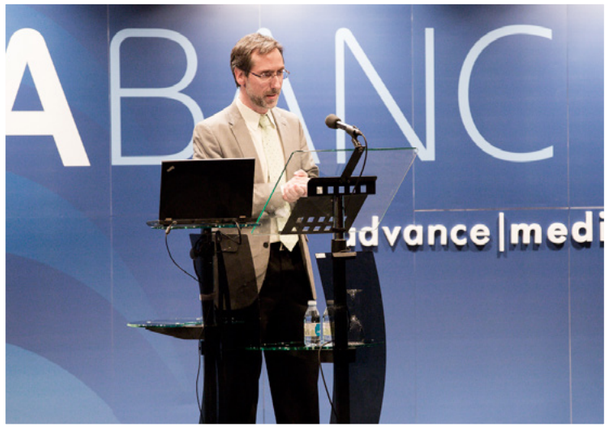
Additionally, MoraBanc plays an active role in the annual Andorran Literature Night, sponsoring two awards: the Sant Carles Borromeu (San Carlos Borromeo), for tales and stories; and the MoraBanc, for informative literature. One of this year's winners was *L'error*, by Rosa Pagès.

Visualize Kool & The Gang show

The Académie de Danse Princesse Grace de Monaco, directed by Luca Masala

The Mariinsky Theatre Symphonic Orchestra, directed by Valery Gergiev

As for social activities, MoraBanc organises lots of conferences on different subjects, aimed at the general public. In 2014, it organised, in collaboration with Advance Medical, a conference headed by the prestigious Dr. Antoni Ribas, professor of Medicine, Surgery and Molecular and Medical Pharmacology at the University of California, Los Ángeles (UCLA), and director of the Tumour Immunology Programme



Dr. Antoni Ribas during the conference

at the Jonsson Comprehensive Cancer Center (JCCC). Under the title "How can the immune system fight against cancer", Dr. Ribas explained how to achieve more efficient and lasting results with cancer treatments.

Throughout the year, MoraBanc hosts regular meetings and work sessions for several Andorran professional associations: lawyers, engineers, doctors or chemists, among others.

At MoraBanc, we provide support to Andorra's companies, we help to organise international debates (e.g. the Andorran Science Society's research debates), we participate on the board of Andorra's Institute of Law, Economics and Finance, and we sponsor conferences and activities via the Andorran Family Business Association.

During 2014, MoraBanc, together with the Andorran-French Alliance, promoted activities, such as the play, *Cher Trésor*, in the Andorra la Vella Congress Centre, and the conferences run by professor Patrick Barbier, who presented two papers, titled "Farinelli et l'âge d'or des castrats" and «Musique et fêtés à Venise, au temps de Vivaldi».

As for education, MoraBanc is involved in one of the country's most important educational events, the Andorra Maths Olympics, organised by the Spanish Embassy in Andorra. MoraBanc also conducts university orientation sessions for all students within the Andorran education system, and it participates in student orientation meetings in order to explain its business.

The Bank also plays an active role in educating the public. In 2014, and as part of the framework for Andorra's new fiscal legislation, it ran several informative and work sessions for clients covering personal income tax. Keenly attended, these sessions helped to resolve doubts about the application of this tax, with the help of practical examples. These workshops were also organised in English for all those foreign residents with specific concerns about the way this law is applied.

On the sporting front and with the help of Grandvalira, MoraBanc organised a conference given by the trainer, Eduard Barceló, who gave tips on how to change a sedentary lifestyle and improve one's physical condition by skiing.

MoraBanc is involved in one of the country's most important educational events, the Andorra Maths Olympics

We also continued to partner several sporting competitions in 2014, including our sponsorship of the MoraBanc Andorra basketball team, which started playing in Spain's ACB league.

MoraBanc also participates in several competitions organised in Andorra, including, for example, ski competitions, such as the Font Blanca Vertical (part of the World Cup) and the sponsorship of the Kilómetro Lanzado World Cup event in Grandvalira.

As for winter sports, we continue to support the Andorran Ski Federation's Snow Boarder Cross racers as they attempt to meet their competitive goals.

MoraBanc remains a regional partner of FC Barcelona, with an exclusivity agreement in the Andorran banking sector.

Women's race 2014

In 2014, MoraBanc continued to support Andorra's Women's Race, in its fourth edition, in its fight against breast cancer. There were some 800 participants, of all ages, who ran and walked the streets of Andorra la Vella and Escaldes Engordany with the aim of increasing awareness of this illness, which affects so many women.

TOP PHOTO:
Presentation of MoraBanc as main sponsor of Basquet Club Andorra at ACB league

BOTTOM PHOTO:
Final of the Copa Princep 2014

Women's race 2014

In terms of donations to charity, MoraBanc has its solidary card. When a client has a solidary card, every time they spend they make a small donation to charities of their choice. On every purchase using the card, the client adds the cents required to round the amount up to the nearest euro. The bank then matches the client's donation but adding a further 50% to this amount.

All these donations go to the charities with which the group has agreements, in the proportion that the client has decided on. The Bank has agreements in place with UNICEF, Aina, Càritas Andorrana, Intermón-Oxfam, la Escuela Especializada Nuestra Señora de Meritxell, CAI-La Gavernera, Infants del Món, la Fundación Privada IBO-África and Manos Unidas.

MoraBanc also supported the English-speaking community's Charity Fair with a cheque to the value of €1,000.

MoraBanc employees also collected food for Càritas Andorrana. This campaign, which was organised and coordinated by the Bank's own workers, managed to put together around one hundred bags of food.

For the last seven years, we have been collaborating in the campaign to collect toys, organised by Andorra Television and Radio, so that no child is left without toys. During the whole of December, all our offices collect toys and games in order to meet the campaign's targets. As every year, Càritas Andorrana has been in charge of the collection and then the distribution of the toys to Andorra's children.

For the last seven years, we have been collaborating in the campaign to collect toys, organised by Andorra Television and Radio

The ultimate goal, which we met six years ago now, was gaining our Clean CO_2 certificate

Everything relating to the environment is of utmost importance to us. Concern for sustainability and the need to respect the environment go beyond company boundaries.

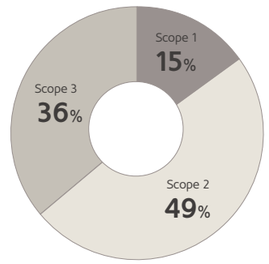
At MoraBanc, we work to transmit this philosophy to the public, with acts aimed at raising awareness across all sorts of fields, starting with the organisation itself. Our commitment to the environment goes a long way back, forms part of our culture, and we were the first Andorran Bank and the second bank in Europe to get the ISO 14001 certificate.

The ultimate goal, which we met six years ago now, was gaining our Clean CO_2 certificate, which classifies the Group as a carbon neutral company.

MORABANC, A CARBON NEUTRAL COMPANY

TABLE 1.1.		Type CO_2 eq (t)
Scope 1	**Direct emissions** Consumption of diesel and fuel in MoraBanc facilities and vehicles	153.42
Scope 2	**Indirect emissions** Electricity	503.95
Scope 3	**Other indirect emissions** Materials, fuel, travel, water consumption, waste management...	376.29
Total emissions		**1,033.66**

BREAKDOWN OF MORABANC'S CARBON FOOTPRINT EMISSIONS BY SCOPE (2014)



For the sixth year in a row, we at MoraBanc are meeting the targets set in our integrated management model for quality, the environament, and continuous improvement. For this reason, we have decided to continue with our strategy of managing carbon in our activities (begun in 2009) in keeping with our business strategy and our firm commitment to sustainability and the environament in order to tackle climate change. Since 2009, the company, Lavola, has been accounting for MoraBanc's CO_2 emissions, in accordance with the methodology defined by *The Greenhouse Gas Protocol, a Corporate Accounting and Reporting Standard*, developed by the *World Business Council for Sustainable Development* and the ISO 14064-1:2006.

The calculation for Greenhouse Gas Emissions resulting from MoraBanc's activity has taken into account three different fields based on the type of emission: (See Table n.1.1). In 2013, total emissions per worker at the MoraBanc Group were 2.282 t CO_2 eq.

It is essential to keep the carbon footprint of any activity to a minimum. At MoraBanc we have decided to offset the emissions that we have not been able to avoid, through the acquisition of 1,033.66 high quality carbon credits from the emissions reduction project at the Bandirma-3 Wind Power Project in Turkey.

The project involves the installation of ten 2.5MW wind turbines in the Bandirma region, in the northwest of Turkey. The aim is to generate renewable energy through wind and thereby contribute to the national economy. The project's activity will reduce greenhouse gases, preventing the generation of carbon dioxide relating to electricity production with fossil fuels. The project generates an average of 99 GWh of renewable energy each year, which implies an annual reduction in emissions of 59,796 t CO_2 eq.

TABLE 1.2.	2014	2013	CHANGE
INDICATORS			
Consumption of recycled paper (% recycled compared to white paper)	100	100	0%
Consumption of computer paper (metres)	583,479	578,023	2%
Consumption of paper – other printed material (kg/year)	1,712.20	1,264.06	35%
Generation of paper for recycling (Kg/employee/day)	0.23	0.21	10%
Electricity consumption (kWh/year)	3,041,031	3,267,414	-7%

The global footprint of MoraBanc's activities during 2014 was 11% smaller than in 2013, although it was 22% greater than in the base year, 2009. A breakdown of the different types of emissions shows that Scope-1 emissions were 22% lower in 2014 than in 2013; Scope-2 emissions were 4% lower; and Scope-3 emissions were 14% lower.

Within Scope 1, the emissions relating to diesel consumption at the Bank's offices fell significantly (-22%), with CO_2 eq. emissions falling by 43.80 t, thanks to the replacement of diesel boilers with heat pumps.

Within Scope 2, it is worth highlighting the fact that aggregate electricity consumption across all MoraBanc's offices in Andorra, fell by 7%, thanks to the company's efforts to introduce energy-saving measures and to reduce the emissions relating to energy consumption. In 2014, our Scope-2 greenhouse gas emissions and our carbon emissions relating to electricity consumption also fell by 4%.

As for our Scope-3 emissions, these fell for the first time ever, following a decrease in air travel, in favour of the train. The other consumption within this scope, such as the diesel used for traveling in private vehicles, was also below previous years' levels. On the other hand, the use of bank cards increased, albeit with a very insignificant impact on the total figure.

MoraBanc is the only entity, along with the Sustainable Andorra Centre, to have implemented offsetting policies for its CO_2 emissions, and to have set ongoing emission reduction goals.

Our goal is to continue reducing our overall footprint. With this in mind, we have set ourselves the following objectives for 2015:

- Reduce the electricity consumption in five work centres (Aixovall, Meritxell 38, La Massana, Pas de la Casa, and Canillo), via the introduction of environmental audits at those buildings where no refurbishment work is scheduled and where the heating / air conditioning systems have already been changed from diesel to electricity.
- Limit business travel and journeys, and focus more on video-conferences and phone calls.
- Reduce the consumption of water and bank cards.
- Continue with employee interaction on best environmental practices in our offices.

Our environment-related investment, aimed at reducing GHG emissions, were significant in 2015:

Lighting in offices and the head office	54,251 €
Office air conditioning / heating	123,015 €
Signs	10,530 €
Thermal insulation in offices	60,493 €
Total	**248,289 €**

In 2000, an environmental management system was introduced at MoraBanc, certified by the company AENOR, which has been renewed every year. The scope of the certification covers all MoraBanc's activities, products and services that interact or could interact with the environment at any of its facilities. The main objective of the environmental management system (EMS) is to ensure that the commitments taken on in our environmental policy are fulfilled:

- To strictly fulfil prevailing environmental legislation and also any other commitment taken on.
- To prevent contamination caused by activities, establishing environmental objectives and targets that ensure continuous improvement and sustainable development, in the consumption of natural resources and also in the generation of waste and emissions
- To collaborate with the public administration and opinion groups in spreading these environmental principles to the whole of Andorran society.
- To maintain a culture that is open to environmental matters, communicating this policy to employees, clients and any other interested party.

The main objective of the environmental management system (EMS) is to ensure that the commitments taken on in our environmental policy are fulfilled

We have introduced cards specifying how this waste is managed: some are deposited at collection points in each *comú* (town hall), others are sent to authorized companies for proper recycling, and the rest are sent to the local waste treatment centre at La Comella.

CLIENT, CITIZENS AND SUPPLIERS INVOLVEMENT

With the aim of ensuring the conservation of the environment for future generations, MoraBanc has always maintained a high degree of involvement in environmental conservation, minimising any kind of contamination and generation of waste, and rationalising the use of natural and energy resources in its daily activity. We collaborate with any individual or entity that asks for information relating to procedures concerning respect for and conservation of the environment, and we encourage sustainable behaviour among employees, clients and suppliers.

It is important to highlight our collaboration with the Andorran Government's Department of the Environment, with which MoraBanc has had an agreement to subsidise the activities of the Sustainable Andorra Centre since 2006 (renewed every two years) During these years of collaboration, significant initiatives have been carried out, such as the photography competition.

In 2014, MoraBanc, together with the Sustainable Andorra Centre and the Government, organized some important initiatives, such as the free screening of the film *Tierra Prometida*; the third landscape photography competition (with a great local response); the bike ride; and the presentation of "L'hort a casa" ("Vegetable garden at home") at the Illa Carlemany shopping centre. We also published a new guide on aspects of sustainability, this year focusing on responsible consumption, the aim being to inform and to provide advice and good practices on the tools and resources available to the public that can turn them into more sustainable and responsible consumers on a day to day basis, whether at home or at school or in the workplace. At Christmas, a video we made on responsible consumption and waste recycling went viral.

Internally, our Storage and Filing Department and the Real Estate and Security Department have the duty, among other things, to ask for environmental certificates from the various suppliers/ distributors, and these are taken into account when choosing a supplier. If the foreign manufacturer has an environmental certificate but the Andorran distributor does not, certificates will be required to ensure that the product to be purchased is the one from the certified manufacturer. We also send out the document that explains our environmental policy so that they are aware of our concern for the environment.

Visualize Andorra Sostenible campaign video

4 | MORABANC'S TEAM, OUR MAJOR ASSET

Each and every individual who forms part of the MoraBanc staff is of utmost importance to the organisation. Working as a team, common objectives, and awards for good work are incentives for each worker to feel an essential part of the team.

The training that MoraBanc offers its employees is also one of the keys to their success, and they know how to make the most of the opportunities for improvement that enable them to progress within the organisation and increase their professional experience.

4.1 | The MoraBanc team

The team that makes up MoraBanc is the basis for the organisation's success At MoraBanc we have talented, able, disciplined workers, for whom continuous training and professional development are a constant concern. We are an organisation that works as a team, in which common objectives stand above those of individuals, and always-welcome individual initiatives are recognised because they help achieve the common goals.

In 2014, our workforce rose versus the previous year (see table 1.3).

TABLE 1.3.	2014	2013
Number of staff	368	341
Female staff – as a % of the total	40.60%	43.11%
Staff with disabilities	0	0
Women in managerial positions – as a % of total managerial positions	33.33%	33.33%
Staff with unlimited contracts (%)	96.19%	93.55%
Unwanted external rotation (%)	1.63%	2.05%
Average work life in the company	14.95	16.7
Average age of staff	42.11	42.9
New annual intake	50	46
Absenteeism excluding maternity (%)	3.44%	3.02%
Absenteeism including maternity (%)	4.57%	3.53%
Annual promotions (%)	9.5%	8.2%

4.2 | Investment in staff training

The level of training achieved by all members of staff over many years, with a major investment by our company, has meant that today we have gone from generalized training (based on carrying out many hours of training) to more specialized training (less hours, but more focused).
(See Table 1.4)

TABLE 1.4.	2014	2013
Average number of hours dedicated to training each employee	44.14	39.38
Total hours of Health and Safety and environmental training*	1,752.50	522.5
Total hours dedicated to training	16,201	13,428
Training costs as a % of total salaries	2.80%	2.35%
University degrees (%)	77.38%	73.90%
Official European Financial Certifications (%)	40.60%	26.10%

**Occupational risk prevention/Safety handbook.*

4.3 | Safety at work

Safety in the workplace is an inexorable commitment that MoraBanc makes to all those people who work for it. In order to follow through and comply with the initiatives and measures adopted following Law 34/2008 on health and safety in the workplace, an external company has evaluated and audited the risks at all MoraBanc's work centres, based on each specific job, its description, the number of workers, the risks detected in each position, the estimate, the causes, the correcting measures, and the risk prevention measures.

In 2014, 136 employees attended (primary and secondary) first aid courses set up by the Bank. Basic training in occupational risk was given to 68 new employees, and specific decision-taking training to 27 members of staff.

During the year, MoraBanc continued to provide medical check-ups to those members of staff requesting them, in accordance with the abovementioned Law.

In 2014, 136 employees attended (primary and secondary) first aid courses set up by the Bank.

4.4 | Our staff excelling in sport

At MoraBanc, we support the sporting activities of our employees when they represent the Group in international competitions. It is a way of encouraging the teamwork philosophy, of stimulating the instinct to excel, and of motivating staff to take part in sport. MoraBanc demonstrates its interest in encouraging these activities through sponsorship. The Group funded the registering and equipping of MoraBanc participants in the Titan Desert race held in the Moroccan desert, in the adventure sports competition, Trofeo Desman, and in the interbank golf competition.

Visualize Desman video

4.5 | Magic Christmas at MoraBanc

Last Christmas, MoraBanc added a sparkle to its clients' wishes with a rather charming video. Without knowing it, the Bank's employees were actors in a video that was to be used as a Christmas greeting. During a whole month, wishes were collected off members of staff and clients, to be later dropped into the water of Lake Engolasters, which, according to certain legends, has magical qualities, in order to turn them into reality. The video lit up the homes of both clients and staff, as well as the social networks. MoraBanc wished the happiest of Christmases!

Visualize Christmas 2014 video

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2.A. | **Escaldes-Engordany**

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7 | **Canillo**

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2.B. | **Escaldes-Engordany**

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4 | **La Massana**

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6 | **Encamp**

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8 | **Pas de la Casa**

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