



ASSOCIACIÓ DE BANCS ANDORRANS

ANDORRA

i el seu Sistema Financer
and its Financial System

2006

ANDORRA
and its Financial System

PRESENTATION

Throughout 2006, the global economy has continued to expand sharply, in spite of a certain reduction in growth rates, especially during the second half of the year. In general, world economic growth has remained at very similar levels to those registered in 2004 and 2005, approximately 5%, above all due to continuing favourable interest rates, improved company profits, and the significant increase in the net worth of companies in most economies.

2006 has been a year in which the main developed regions of the world have experienced more balanced dynamism, with the United States seeing its growth rate remaining slightly above 3% at 3.3%. Meanwhile the less dynamic areas such as the United Kingdom, the Euro Zone and Japan have all experienced rising growth rates, especially the first two which have registered growth rates very close to 3%. The contribution of certain emerging economies to this economic boom also continues to be significant, to the extent that China and India jointly account for 40% of global economic growth in 2006. Economic growth in Latin America has also remained strong, reinforced by continuing favourable export conditions and solid domestic demand.

Despite volatile petroleum prices, with oil prices reaching an all time high of US Dollars 78 a barrel in early August – dropping to US Dollars 60 in December which was the price last reached at the end of 2005 – in general, inflationary pressures have continued to remain relatively moderate in most countries.

In 2006, the economy in the Euro Zone has improved, registering a high rate of growth. Despite the impact of high and volatile petroleum prices, actual GDP has risen by 2.8%, higher than the rate of 1.5% recorded in 2005. The Euro Zone has continued to benefit from the solid growth of the global economy, whilst significant increases in company profits and a prolonged period of very favourable interest rates have contributed to rising investments and employment. In order to curb inflationary risks in the Euro Zone, the European Central Bank has increased interest rates on five occasions by a total of 125 basic points from a reference interest rate of 2.25% in January to 3.5% in December 2006. The evolution of the economic indices during the first part of 2007 indicate that the favourable conditions in the Euro Zone will continue.

The dynamic nature of the European economy has boosted the acceleration of activity in the Spanish economy, continuing the protracted period of growth experienced in previous years. GDP has risen by a rate of 3.9%, exceeding the rate of 3.5% reached in 2005. Forecasts suggest this growth will continue, although certain risks exist as a result of rising expenditure and decreasing competitiveness reflected by an increase in the external trade deficit. A tightening of monetary conditions and the slowdown in the increase in house prices are contributing to correct some of these risk factors and therefore, it is considered that, with the appropriate economic policies, Spain will continue to experience similar rates of growth to those in prior years.

During 2006, France has also seen an increase in growth rates, especially during the first half of the year, registering an annual rate of growth in GDP of 2.2%, higher than the rate of 1.7% in 2005. In addition to this backdrop of economic growth, greater political and social stability has resulted in an improvement in the growth of the French economy, as well as a notable improvement in unemployment, the consumer confidence index, and public debt, having easily met the public deficit target established by the European Union.

In this context, during 2006 the Andorran economy has continued the positive trend of previous years, with the main macroeconomic indicators reflecting the consolidation of the Andorran economy. Standard & Poor's has estimated Andorran GDP per capita at Euros 29,621, which is higher than the European average, and has awarded the country a A-1+ rating in the short term and an AA rating in the long term. Nevertheless, the Andorran economy is not very diversified and certain key sectors such as retail and tourism have experienced a certain degree of slowdown in growth during the last year.

These events combined with the process of globalisation affecting the world and neighbouring economies, represent a series of economic and political challenges and requirements for Andorra, which it must face in order to achieve, in the medium and long-term the levels of growth in the Andorran economy experienced in previous decades.

In this regard, the Andorran Government is developing a series of legislative initiatives such as the Companies Act, the Accounting Act and the Foreign Investment Act, as well as standardising general indirect taxation during 2006. It has simultaneously incorporated the Agency 2020 and the Office for Business Innovation to act as catalysts for these changes.

Finally, in view of the evolution of the Andorran economy and specifically its financial system, during 2006 the International Monetary Fund (IMF) has published a new evaluative report stating that it has not identified any macroeconomic risks that could affect the structure and positive performance of the Andorran financial sector. Furthermore, it has emphasised that since its last visit in 2002, Andorra has extensively implemented the improvements recommended at that time, to ensure that the system for controlling and supervising the banking sector is appropriate to its size and structure.

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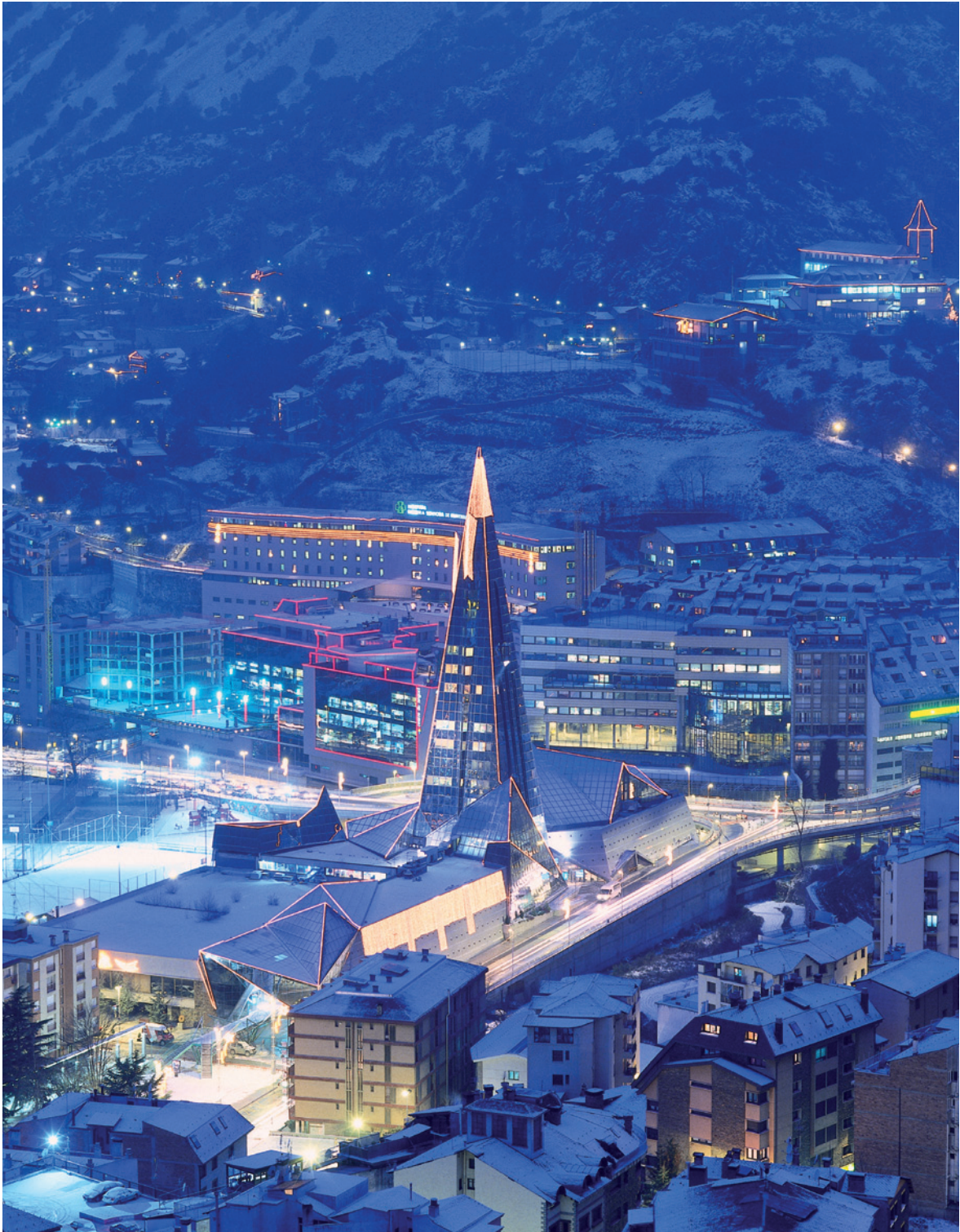
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I. THE PRINCIPALITY OF ANDORRA



I. THE PRINCIPALITY OF ANDORRA

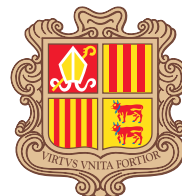
I.1. INTRODUCTION TO ANDORRA

The **Principality of Andorra** is a **European micro-State** located in the Central Pyrenees between Spain and France, members of the European Union, sharing a southern and western border of 64 km with Spain and a Northern border of 57 km with France. The capital of Andorra is Andorra la Vella.



Andorra covers a surface area of approximately **468 km²** and is larger than the other small European States such as San Marino (61 km²), Liechtenstein (157 km²) or the Principality of Monaco (1.5 km²).

The Andorran flag and coat of arms are shown below:



The official language of Andorra is **Catalan**, although Spanish and French are also widely spoken due to the economic and social contacts with these neighbouring countries. English is also used for commercial and financial purposes.

The Principality of Andorra does not have its own currency and therefore adopted the **Euro**, like the other member states of the European Union, on 1 January 2002.

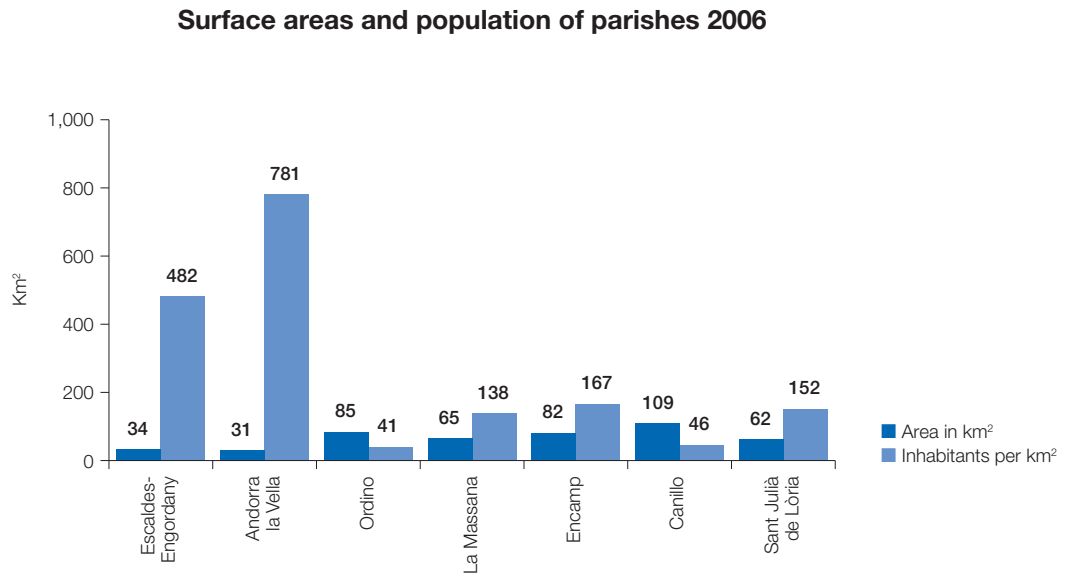
Andorra is a mountainous country. Its lowest point is where the Runer River meets with the Valira River (838 m) and its highest point is the peak of Coma Pedrosa (2,946 m). The climate in Andorra is considered to be dry and Mediterranean. Temperatures vary slightly between the mountain and valley areas, mainly due to significant differences in altitude. The average minimum temperature is -2°C , while the average maximum temperature is 24°C . Snowfall is frequent and rain mainly falls between the months of October and May. Water is one of the most important natural resources, allowing for the exploitation of hydroelectric and thermal energy.

In 2006 Andorra had a **population** of 81,222 inhabitants, 36% of them with Andorran nationality, 34% of them with Spanish nationality, 6% with French nationality and 16% with Portuguese nationality.

As shown further on in this publication, Andorra is divided for administrative purposes into seven parishes with varying surface areas and populations. Each of these parishes has its own *Comú* (Town council). The seven parishes are Canillo, Encamp, Ordino, La Massana, Andorra la Vella, Sant Julià de Lòria and Escaldes-Engordany.



The surface areas of the seven parishes and their population in 2006 are as follows:



Source: Andorra. Socioeconomic yearbook 2006

To reach the Principality by motorway from the main cities of the neighbouring countries, the distances are as follows:

From Spain:

Madrid 600 km
Barcelona 210 km

From France:

Paris 900 km
Marseille 757 km
Toulouse 196 km

Andorra is connected by public and private transport to the main cities of the neighbouring countries.

The Principality does not have its own railway network, although it can be reached from Ax les Thermes or L'Hospitalet, in France, and from Puigcerdà and Lleida, in Spain, in less than an hour by road.

The nearest airports are in Barcelona, Girona and Reus (Spain) and Toulouse and Perpignan (France). Currently there is a plan to bring into operation the previously used airport in Seu d'Urgell (Spain), 10 km from Andorra.

The Andorran Telecommunications Service (*Servei de Telecomunicacions d'Andorra*) (STA) provides other kinds of communication by land line and mobile telephone (GSM), internet (ADSL), telegraph, telex, fax and GPRS.

I.2. HISTORY OF ANDORRA

Andorra's history is documented in scripts discovered in the 9th century, which record the first written evidence relating to Andorra.

A Carolingian order dating from 843 and signed by Charles the Bald, granted the Valleys of Andorra to Sunifred, Count of Urgell. In 988, Borrell II, the Count of Barcelona and Urgell gave Andorra to the Diocese of Urgell in exchange for property within the County of Cerdanya. The Bishop of Urgell therefore became the temporary sovereign of the Valleys.

However in the following centuries, the Bishop of Urgell entered into conflict with the County of Foix who wanted to recover what previously belonged to them. This conflict was resolved upon signing of the first and second *Pariatges* (feudal charters) in 1278 and 1288, between the Bishop of Urgell and the Count of Foix. These arbitrary rulings established an indivisible joint ownership of the valleys, conferring equal seigniorial rights and powers between the Bishop and the Count (who established the taxes to be paid by the Andorrans and exercised joint justice through the *batlles*, (a kind of first instance magistrates court specific to Andorra), the military obligations of the Andorrans and the appointment of notaries and curates). In short, the *Pariatges* represented independence in Andorra for more than 700 years.

At a later date, the co-rulers' rights over Andorra were transferred to the kings of France, the heirs of the Counts of Foix and subsequently to the President of the French Republic.

At the beginning of the 1980s it was obvious that Andorra's institutions needed to be reformed. As a result of the separation of powers in 1981 an agreement was drafted between the co-princes, with the creation of the Andorran Government, known as the Executive Council, and the Head of Government. In accordance with the co-princes, different reforms were then introduced such as the Criminal Code and the Administrative Code.

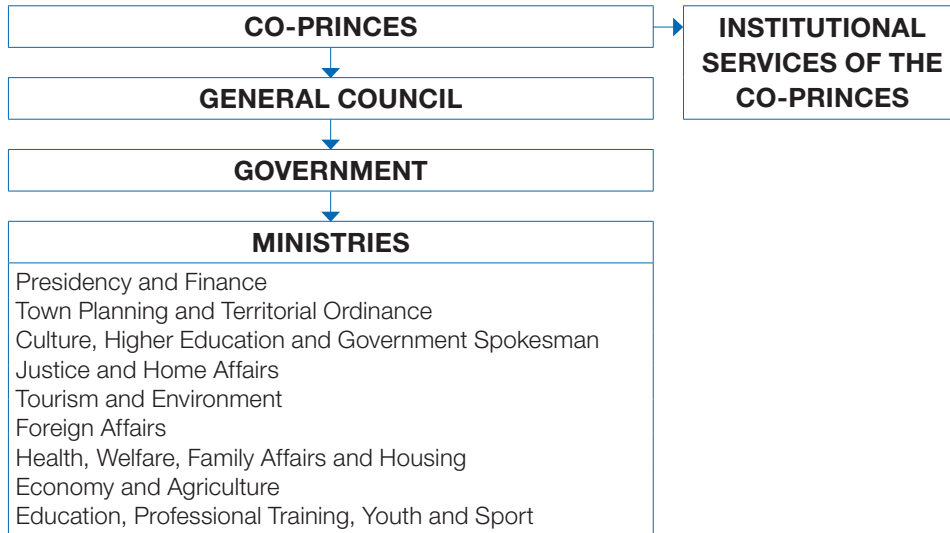
A great change took place in Andorra on 14 March 1993, when the Constitution was approved by referendum. The Constitution converted the Principality of Andorra into an independent legal, democratic and welfare State. Although this may seem recent, the Principality of Andorra has in fact been governed by its own institutional system for over 700 years.

As result, the Andorran citizens assumed sovereignty, but the co-princes, jointly and severally, are still the head of State. This position is occupied exclusively and personally by the Bishop of Urgell (currently Excellency Mr. Enric Vives i Sicília) and the President of the French Republic (currently Excellency Mr. Nicolas Sarkozy). Each co-prince appoints a personal representative in Andorra.

I.3. ANDORRAN INSTITUTIONS

Main Institutions and Political Bodies

A chart of the main institutions in Andorra is as follows:



Source: Andorran Government

As explained above, Andorra drafted a modern Constitution and created a parliamentary co-principality in 1993.

The **co-princes** arbitrate and moderate in the functioning of the public and institutional powers. Some of their functions include the sanctioning and passing of laws, calling general elections; calling referendums on political matters when requested to do so by the Head of the Government and the majority of the General Council. Those who countersign the actions of the co-princes are held liable thereto.

The **General Council** (Andorran Parliament) is the highest representative body of the Andorran people and exercises legislative power, approves Government budgets, appoints the Head of Government and promotes and controls the political actions of the Government. The General Council is formed of 28 members who are elected by universal suffrage every 4 years. Half of these councillors are elected for the parishes and the other half for the national constituency. The General Council is governed by the Syndic's office, headed by the Syndic general and the sub-Syndic elected by the General Council. With the approval of the Constitution, the regulations originating in the General Council receive the unitary denomination of laws.

Andorra has the following **political parties** with parliamentary representation: The *Partit Liberal d'Andorra* (affiliated to the International Liberals, the European Liberal Democrat and Reform Party and the International Network of Liberal Women), the *Partit Socialdemòcrata* (affiliated to the International Socialists), the *Centre Demòcrata Andorrà* (affiliated to the International Central Democrats), *Segle 21* and *Renovació Democràtica*.

The **Government** is the executive body of the State and is formed of the Head of Government and ministers. The Head of Government is elected by the General Council and directs the national and international policies of Andorra, the State administration and exercises legislative powers (please refer to the composition of the current Government in Chapter "V - Information of interest").

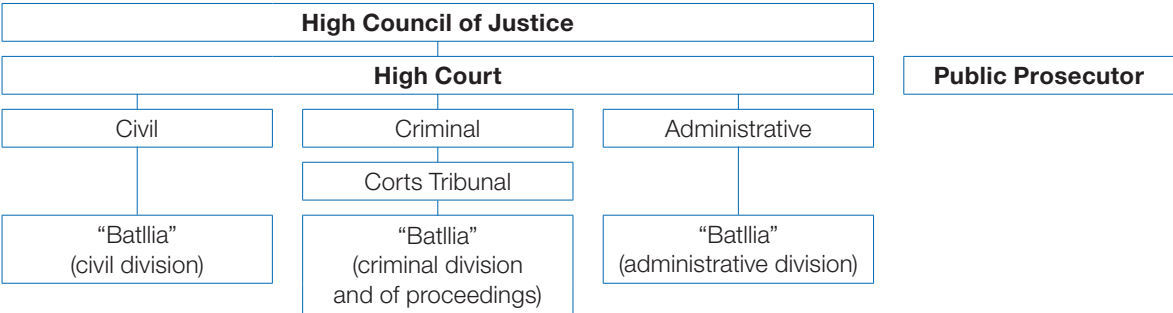
Andorra is divided for administrative purposes into seven parishes: Canillo, Encamp, Ordino, La Massana, Andorra la Vella, Sant Julià de Lòria and Escaldes-Engordany. The representative and administrative body of the parish is the **Comú** which acts through its Council. The Constitution defines the *Comuns* as public corporations with legal status and with local legislative power, subject to the law, by way of by-laws, regulations and decrees. The voters of each parish elect ten councillors, two of whom are appointed as Mayor (*cònsol major*) and vice Mayor (*cònsol menor*).

The **Accounts Tribunal** is an independent technical body linked to the General Council which taxes public spending. It is also in charge of verifying the transparency of the public Administration’s economic, financial and accounting management.

Citizens’ ombudsman. This institution defends and oversees compliance and application of the rights and liberties included in the Constitution, acting as a commissioner or delegate for the General Council. It receives and processes all complaints and claims relating to citizens’ dealings with all the public administrations and entities in the Principality, responding with independence and impartiality.

Other Institutions

Andorran legal system. This system is structured into a sole organisation. The jurisdictional power is exercised by the *Batlles* (a kind of first instance magistrates court specific to Andorra), the *Batlles* Tribunal, the Courts Tribunal and the High Court of Justice, together with the respective presidents of these tribunals and includes three jurisdictions: civil, criminal and administrative.



Source: Andorran Government

The **Constitutional Tribunal** is the highest Constitutional body and its rulings bind public powers and individuals. It approves its own regulations and it is solely subject to the Constitution and the Qualified Constitutional Tribunal Law when exercising its functions.

The **High Council of Justice** is the body representing, governing and administrating the judicial system which oversees the independence and adequate functioning of Justice. This council is in charge of appointing *batlles*, magistrates, the Public Prosecutor, assistant prosecutors and judicial secretaries, exercising a disciplinary function and promoting the conditions required to ensure that the judicial authorities have the adequate means to carry out their functions.

The **Public Prosecutor** is the body which oversees the defence and application of law and order, as well as protecting the independence of the courts and promoting the application of the law in the courts to protect the rights of the citizens and to defend general interests.

Other Bodies

The **Andorran National Institute of Finance** (INAF) is a public entity with its own legal status and full capacity to operate either publicly or privately, independently from the central government. As an authority of the Andorran financial system, the INAF promotes and endorses the correct functioning and stability of the financial system.

The **Money Laundering Prevention Unit** (UPB) is an independent body created to foster and coordinate money laundering prevention measures. This unit was created in the year 2000 under the Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime, following recommendations of the European Council's MONEYVAL Committee and the 40 recommendations from the FATF (Financial Action Task Force). The UPB started operating in July 2001.

The **Andorran Chamber of Commerce, Industry and Services** (CCIS) is a publicly-owned entity with its own legal status and full capacity to operate its own functions. It is a consultative body forming part of the public administration and its main aim is to promote and strengthen economic and business activity in the country, defend the interests of businesses and provide all kinds of corporate advisory services. All businesses, industries and members inscribed in the Government's Chamber of Commerce and Industry are under the obligation to register in its census.

II. LEGAL FRAMEWORK



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II.1. LEGAL SYSTEM

- Andorran **mercantile companies** must have their registered office in Andorra in one of the following legal forms: public liability company ("*societat anònima (SA)*") or private limited liability company ("*societat de responsabilitat limitada (SL)*").

Company capital must be comprised of at least two thirds Andorran capital. Andorran capital is understood to be that of individuals or legal entities with Andorran nationality and foreign individuals with at least twenty years uninterrupted residency in Andorra; nonetheless, this period is reduced to ten years for Spanish and French citizens, as stated in the "Trilateral Agreement", which establishes the main principles relating to the entry, circulation, residency and establishment of Spanish and French citizens in Andorra, as well as Andorran citizens in Spain and France.

Nevertheless, in the case of Andorran banking entities the Law regulating the basic administrative regime of banking entities dated 30 June 1998 stipulates that 51% of their capital can be held by foreign credit entities.

- In order to carry out **commercial and industrial activities**, foreign individuals need to have resided in Andorra for over twenty years to be able to own a commercial or industrial establishment. In accordance with the "Trilateral Agreement" French and Spanish citizens only need to have resided in Andorra for ten years.
- **Liberal professions** are governed by a specific law which requires twenty years of residence for foreigners and that they hold the corresponding university qualification from an Andorran, French or Spanish university or an officially validated qualification from another country. The Government can grant ten-year liberal profession permits at its own discretion, which may be renewed depending on specific Andorran requirements and the specialisation and personal circumstances of the applicant.
- A Social Security system was created in Andorra in 1968 and covers illness and old age. Adherence to the **Caixa Andorrana de Seguretat Social (CASS)** is obligatory for all wage-earners and optional for non wage-earners resident in Andorra. Social security contributions for wage-earners range between 5% and 9% of the salary and contributions of 13% are made by employers. Contributions for non wage-earners consist of an annually reviewed rate calculated based on the average salary declared in the previous year. Foreign workers must have a work permit granted by the Andorran Ministry of Home Affairs. The granting of permits by the Ministry of Home Affairs is subject to certain quotas approved by the General Council.
- Individuals over the age of 18 who wish to reside in Andorra without working must obtain a "**passive residence**" authorisation from the Andorran Ministry of Home Affairs. This kind of authorisation is governed by the Qualified Law for the modification of passive residency dated 28 November 1996.
- Non-resident individuals over the age of 18 and those individuals who have resided in Andorra for less than 20 years require authorisation from the Government to be able to acquire a **dwelling** under the horizontal property regime with the corresponding parking space. In this case plots of land for a chalet or detached house cannot exceed 1,000 m².
- **Andorran nationality** can be acquired by foreigners who marry Andorrans, provided that they can prove uninterrupted residence in Andorra for a prior period of three years. Foreigners who have lived for at least twenty years in Andorra may also apply to the Government for Andorran nationality. The Andorran Constitution does not allow dual nationality.

II.2. TAX SYSTEM

Introduction

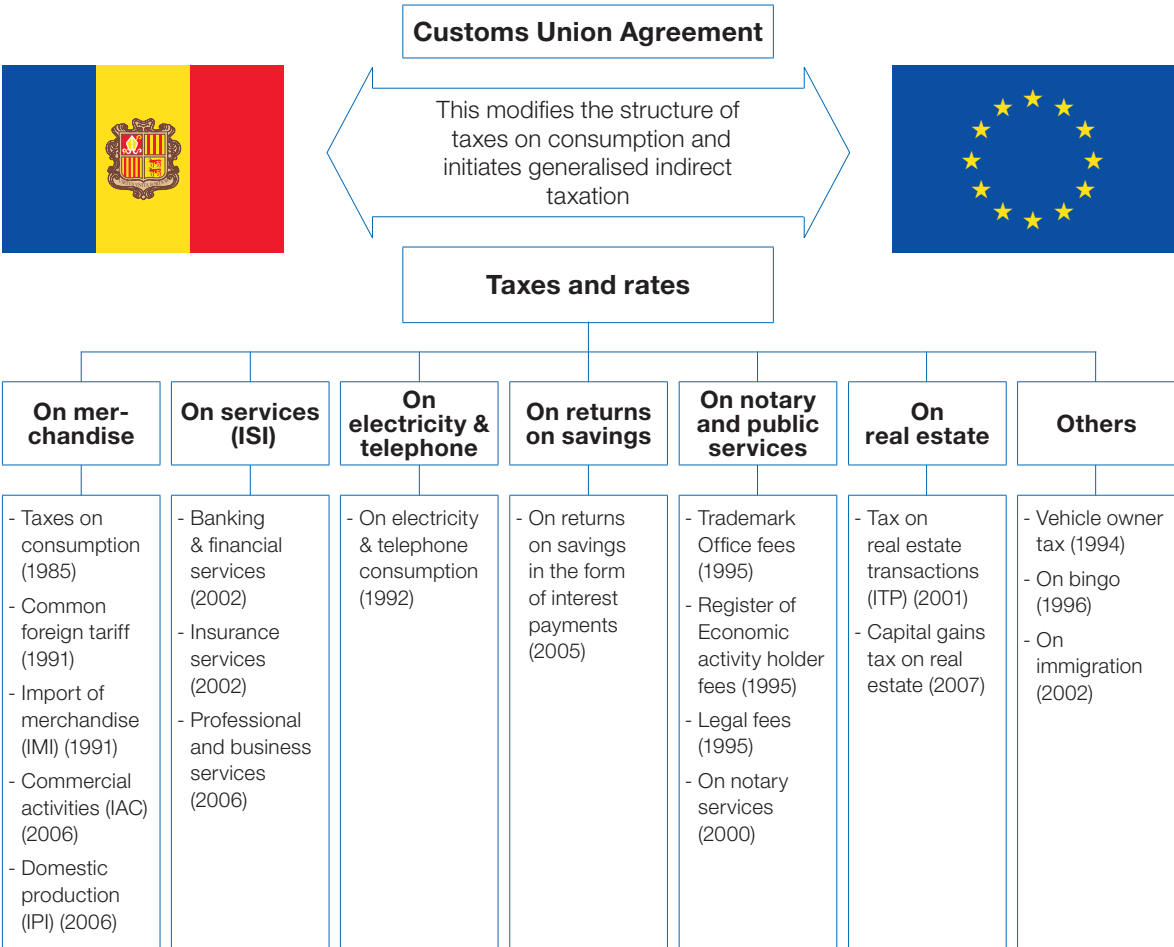
In our recent history, the approval of the Customs Union Agreement between the Principality of Andorra and the European Economic Community and subsequently the Constitution, provided a new scenario for the developing Andorran tax system.

The Andorran tax system is based on indirect taxation. There is no direct taxation on company profits or on personal wealth or income in the Principality of Andorra.

Central Government Taxes

The Law governing taxation of 19 December 1998 sets out the basic reference framework for the pre-eminent application of taxes within the Principality and includes the principles of justice, legality and reserve, generality and fair distribution of the tax burdens established in the Constitution. The aforementioned Law establishes the general rules which govern taxation, in the absence of a specific law to the contrary.

As mentioned above, the Andorran tax system is currently governed by the indirect taxation system summarised in the table below:



Tax on merchandise

Indirect Merchandise Tax (“*Impost de Mercaderies (IMI)*”)

The Indirect Merchandise Tax (IMI) was created upon the introduction of the trading agreement between Andorra and the European Union in 1991 and it levies taxes on the production and import of merchandise.

This is a tax on imports of products listed in chapters 1-24 of the Unified System of Designating and Coding Merchandise, and which includes exclusively foodstuffs destined for end consumption or preparation. The amount is determined by applying a percentage of the value of the merchandise and, in certain cases, a fixed amount per product unit. The aforementioned percentage ranges between 1% and 12%, depending on the merchandise. Details are as follows:

- Reduced rate: 1% applied to products stated in chapters 1 to 24 of the Unified system, which is added to the Consumption Tax on imports.
- Normal rate: 4% applied to the majority of products.
- Increased rate: 7% applied to electronic, perfume and optical products etc.
- Special rate: 12% applied to jewellery and recreational equipment.

Certain products such as books or printed matter, wheelchairs and other vehicles for disabled people, as well as certain motor vehicle accessories are free of Indirect Merchandise Tax.

The Law also defines tax rates on fuel and minimum tax rates on certain merchandise, such as tobacco.

Since 1996, the Andorran customs authorities have been collecting a Common Foreign Tariff (“*Tarifa Exterior Comuna (TEC)*”) on imports of industrial products originating from countries which are not members of the European Union.

Indirect tax on domestic production (“*Impost indirecte sobre la producció interna (IPI)*”)

This tax entered into force on 1 January 2006 for the purpose of generalising indirect taxation on all merchandise in the Andorran economy.

This tax is levied on the delivery of goods produced or manufactured by business people and professionals in Andorra. The tax is calculated by applying a rate on the value of the good produced (tax base). The percentage defrayed to the end customer ranges between 1% and 12% depending on the type of merchandise. Details are as follows:

- Reduced rate: 1% applied to products stated in chapters 1 to 24 of the Unified system, i.e. mainly the production of foodstuffs.
- Normal rate: 4% applied to the production of the majority of products.
- Increased rate: 7% applied to the manufacture of electronic and perfume products, amongst others.
- Special rate: 12% applied to the manufacture of jewellery and recreational equipment.

Tax on commercial activities (“*Impost sobre les activitats comercials (IAC)*”)

This tax is levied at source and in the sole commercialisation phase of goods either imported into or manufactured in the country. For the purpose of this tax, commercialisation is understood to be the retail sale and wholesale to the end consumer.

The applicable tax rate regarding imports and the delivery of goods produced or manufactured in Andorra, consists of an equivalence charge added to the Indirect Merchandise Tax (IMI) rate or the Indirect Tax on Domestic Production to which the commercialised goods are subject.

Details of the equivalence charges applied for each tax rate are as follows:

IMI/IPI Applicable tax rates	Equivalence charge
0%	0.0%
1%	0.0%
4%	0.8%
7%	1.4%
12%	2.4%

Tax on services

Indirect taxation on services rendered (“*Impost indirecte sobre els serveis (ISI)*”)

The Law governing indirect taxation on services rendered was approved on 13 April 2000. This established the basis for indirect taxation on services rendered in Andorra by business people and professionals, individuals or legal entities, residents and non-residents, but excludes those services subject to the Law on the IMI. The three tax rates applied are: a reduced rate of 1%; a normal rate of 4% and an increased rate of 7%.

As an addition to the abovementioned law, on 14 May 2002 the Law governing indirect taxation on banking and financial services and the Law governing indirect taxation on the rendering of insurance services were approved and became applicable as of 13 June 2002. In accordance with these Laws, the rendering of banking and financial services is taxed at 7% and the rendering of insurance services at 4%. The tax payable is calculated using a system which estimates the value of the services rendered based on economic and financial figures. The indirect tax on services rendered rose from 7% to 12% as from 1 April 2005.

In addition, on 1 January 2006 Indirect Taxation on the rendering of Business and Professional Services came into force for the purpose of generalising the indirect taxation of all sectors of the Andorran economy. This new tax is levied on services rendered by business people and professionals in the Principality of Andorra. The tax is calculated by applying a tax rate on the value of the service rendered (tax base). The percentage defrayed to the customer is 1% (reduced rate) and 4% (normal rate).

Taxation on real estate

Tax on real estate transactions (“*Impost sobre transmissions patrimonials immobiliàries (ITP)*”)

The Law governing tax on real estate was enacted on 29 December 2000, and last modified on 21 June 2006. This tax is levied directly on onerous or lucrative transactions to transfer real estate between living persons, and from the creation or transfer of rights over these assets.

This tax is applicable to all transfers of real estate located in the Principality of Andorra and to the creation or transfer of rights over this real estate, which can be exercised in Andorra. The tax rate is set at 4%, except for transactions on real estate located in La Massana; in which case the tax rate is set at 3.75%.

Capital gains tax on real estate (“*Impost sobre plusvàlues en les transmissions patrimonials immobiliàries*”)

The Law governing capital gains tax on real estate was enacted on 14 December 2006. This tax is levied directly on capital gains arising from the onerous or lucrative transfer of real estate between living persons, and from the creation or transfer of rights over these assets.

This tax is applicable to all transfers of real estate located in the Principality of Andorra and to the creation or transfer of rights over this real estate, which can be exercised in Andorra. The tax rate is set at 0% to 15% based on the number of years the real estate has been owned by the taxpayer.

Taxation on savings

In its session held on 21 February 2005, the General Council of the Principality of Andorra ratified the **Agreement between the Principality of Andorra and the European Union relating to measures equivalent to those included in Council Directive 2003/48/EC regarding taxation on savings in the form of interest payments**. In its session held on 13 June 2005 the Law applying this Agreement was approved.

This law establishes the obligation to make a withholding at source on interest payments made by paying agents located in the Principality of Andorra to beneficial owners who are individuals resident in one of the European Union member States. This withholding will be equivalent to 15% during the first three years, 20% as of 1 July 2008 and 35% as of 1 July 2011. 75% of the amount arising from this obligation is transferred to the European Union countries where the beneficial owners reside. Income from pension and insurance contracts is exempt from the application of the Agreement.

Local taxes

On 27 June 2003 the General Council approved the *Comuns Finance Law (Llei de les finances comunals)* for self-regulation regarding taxation and financial management, establishing an adequate framework allowing the *Comuns* to create their own tax and financial jurisdiction and unify their tax framework. This Law also regulates *Comuns* borrowing, setting maximum limits and control mechanisms contributing to a more stable and financially balanced public sector in Andorra.

The *Comuns Finance Law* establishes the tax jurisdiction of the *Comuns* with regard to the following taxes:

- Traditional “*Foc i Lloc*” (meaning hearth and home) household taxes.
- Taxes for the rendering of communal services.
- Taxes and rights on government documentation and authorisations.
- Tax on commercial, industrial, and non-commercial professional activities.
- Real estate taxes on buildings and land, rental income, and real estate transactions registered in the property registry of the *Comuns*.
- Participation of the *Comuns* in the tax on vehicle ownership, which is a governmental tax based on the number of vehicles registered in the Government register.

II.3. LEGISLATIVE FRAMEWORK OF THE FINANCIAL SYSTEM

The Andorran legislative framework is in line with that of neighbouring countries and covers aspects such as transactions, capital adequacy and money laundering or securities arising from criminal activities and other matters, as described below.

A summary of legislation up until 2006 is as follows:

- The **“Law regulating insurance companies”** in the Principality of Andorra dated 11 May 1989 includes the fundamental characteristics to be able to operate in Andorra.
- The **“Law regulating the financial system”** dated 27 November 1993 defines the different groups comprising the financial system, as follows:
 - Operational components.
 - The **“Law regulating the operational functions of the different components of the financial system”** dated 19 December 1996 establishes four components:
 - Banking entities.
 - Non-banking financial institutions, in specialised credit.
 - Financial investment entities.
 - Financial entities offering various services.
 - Professional associations in the financial sector.
 - Bodies of technical executive authority.
- Long before the enactment of the Law of 1993 regulating the financial system, the Andorran financial system, concerned about transmitting seriousness and commitment to third parties, had already promoted its self-regulation, through the Association of Andorran Banks (*“Associació de Bancs Andorrans (ABA)”*).
- The **“Law regulating mandatory investment coefficients”** dated 30 June 1994 sets out a mandatory coefficient, which has to be covered by public funds and which, in accordance with the aforementioned law, is only currently applicable to banking entities.
- The **“Law regulating deposit guarantee reserves”** dated 11 May 1995 establishes the minimum reserves of shareholders’ equity to guarantee the operational obligations of the entities included in the financial system.
- The **“Law regulating interest on deposit guarantee reserves and other operational obligations to be maintained and deposited by entities included within the financial system”** under the framework of the **“Law regulating the operational functions of the different components of the financial system”** establishes the method of applying interest and other conditions applicable to the deposit guarantee reserves set up by banking entities. Three decrees stem from this Law dated 4 July 2001:
 - **“Decree relating to the regulation of and conditions applicable to deposit guarantee reserves set up by banking entities”**, which stipulates that the percentage applicable to reserves is 2.25% of the volume of investments, with a deduction for those set up using shareholders’ equity originating from banking sources.
 - **“Decree relating to the drawing down of deposit guarantee reserves set up by banking entities”**, which establishes that the Ministry of Finance may authorise banking entities, which so request, to draw down guarantee reserves.

- On 19 March 2006, a Decree was enacted relating to the terms applicable to the deposit guarantee reserves set up by banking entities within the financial system and equivalents such as public funds for the purpose of complying with the mandatory investment coefficient set up by financial entities, which establishes that in the period between 31 December 2005 and 28 April 2006 the deposit guarantee reserves will bear interest at a rate of 2.40%.

From 28 April 2006 to 29 December 2006, the last working day of the year, deposit guarantee reserves set up in the Andorran National Institute of Finance by entities forming part of the financial system bore interest at 8-month interbank market rates prevailing for operations with effective date at 28 April 2006. These interest rates are calculated based on the Euribor rate of the two previous working days published by the European Central Bank.

- The “**Law for the protection of the banks’ code of secrecy and prevention of laundering of money or securities from criminal activities**” dated 11 May 1995 aims to achieve two objectives. Firstly, to give legal form to the commitment to combat the laundering of money and secondly, to ratify the banking principle of not interfering in the affairs of the clients.

- The “Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime” approved by the General Council on 29 December 2000, gives rise to the creation of the Laundering Prevention Unit (*UPB*), which is the independent body for the promotion and coordination of money laundering prevention measures. This legislation implies the following for all financial entities:

- The defining of strict procedures to identify customers.
- The establishing of adequate procedures and controls to detect suspicious operations arising from organised crime.
- The training of personnel in specific money laundering programmes.
- An external auditor reviewing the level of compliance with the above points.

This Law substitutes the previous “Law for the protection of the banks’ code of secrecy and prevention of laundering of money or securities from criminal activities” dated 11 May 1995.

On 31 July 2002 the “Regulation of the Law for international cooperation on criminal matters and the combat against money laundering” was enacted which, inter alia, establishes the organisation and functioning of the Money Laundering Prevention Unit (*UPB*) (created in 2000), the obligations for diligence and declaration from individuals, as well as the procedures to follow upon detecting suspicious operations.

- At an international level, it should be noted that as a result of the regulations established within the aforementioned law against money laundering (29 December 2000), with reference to the Know-Your-Customer rules, the Principality of Andorra entered into a **collaboration agreement** on 1 January 2001 with the **United States Internal Revenue Service (IRS)**.

In addition, all the banking entities and other financial entities in the Principality have also entered into the said agreement with the IRS in particular, therefore obtaining the status of **Qualified Intermediary**. During 2006 both Andorra as a country and the entities forming part of the Andorran financial system have renewed their status as *Qualified Intermediary*.

- The “**Law regulating the capital adequacy and liquidity criteria of financial institutions**” dated 12 December 1996 establishes the capital adequacy ratio at a minimum of 10% and the liquidity ratio at a minimum of 40%.

- The **“Law regulating the disciplinary regime of the financial system”** dated 27 November 1997 aims to promote correctness and conscientiousness when carrying out professional financial activities. It also aims to protect the financial system.
- The **“Law regulating the creation of new Andorran banking entities”** dated 30 June 1998 governs the authorisation of the creation of banking entities and specifically established the possibility of granting two licences in 1999 and 2000.
- The **“Law regulating the minimum share capital of Andorran banking entities”** dated 30 June 1998 establishes that they should be incorporated with a minimum share capital of Euros 30 million.
- The **“Decree approving the Chart of Accounts for financial entities”** dated 19 January 2000 defines the principles, criteria and basic accounting standards for financial entities in Andorra. This allows the INAF to effectively supervise the financial system. This Chart of Accounts entered into force on 1 January 2000 and is applicable to all the operational components of the Andorran financial system.

The Technical Communiqués issued by the INAF complement and update the legislation relating to the new Chart of Accounts for the financial system, so that it does not become out of date in the short term.

Some of these Communiqués make it obligatory to report additional quarterly control information to the INAF, complementing the financial statements, in order to detect the aforementioned entities’ exposure to market and liquidity risks and the concentration of risks and loan losses and take corrective measures against these risks.

- The **“Law regulating the basic administrative regime of Andorran banking entities”** dated 30 June 2000 allows the investment of credit entities in up to 51% of the capital. It also establishes administrative requirements with the aim of meeting all the conditions which promote the quality and security of the management.
- The **“Law governing indirect taxation on services rendered”** dated 13 April 2000 establishes the basis for indirect taxation on services rendered in Andorra by business people or professionals, individuals or legal entities, residents and non-residents. It excludes services which are included in the scope of the “Law governing indirect taxation on merchandise”. The tax rates applied to the rendering of services defined by this law are:
 - A reduced rate of 1%.
 - A normal rate of 4%.
 - An increased rate of 7%.
- The **“Law for indirect taxation on banking and financial services rendered”** under the framework of the “Law for indirect taxation on services rendered” establishes the system for calculating the payment basis, at the same time as determining a tax rate of 7% applicable to banking entities, non-banking financial entities in specialised credit, financial investment entities and financial entities offering various services. As from 1 April 2005 the indirect taxation on banking and financial services has increased from 7% to 12%.
- The **“Law for indirect taxation on insurance services rendered”** dated 14 May 2002 under the framework of the “Law for indirect taxation on services rendered” establishes a system for calculating the payment basis, at the same time as determining a tax rate of 4% applicable to insurance entities, which are outside the framework of this law:
 - Social Security regime.
 - Capitalisation products, such as pension funds, retirement schemes or other similar products.

- On 23 October 2003 the **“Andorran National Institute of Finance Law”** (*INAF*) was enacted to redefine its functions and give it more independence and, to generally bring its jurisdiction into line with supervising entities of other countries.
- In its session held on 13 June 2005, the General Council of the Principality of Andorra approved the **“Law applying the Agreement between Andorra and the European Union regarding taxation on savings in the form of interest payments”**. This law establishes the obligation to make a withholding at source on interest payments made by payer agents established in Andorra to effective beneficiaries, individuals resident in one of the EU member States.

This withholding will be 15% over the first three years of applying the agreement, 20% over the following three years and 35% thereafter. 75% of the amount collected is transferred to the countries of residence of the beneficial owners, whilst the Principality of Andorra retains 25%. In addition a voluntary distribution procedure is established whereby the beneficiaries of the income can avoid the withholding. Insurance products are exempt from application of the agreement.

II.4. FUTURE TRENDS

Andorra is a country in evolution, growth and with a clear projection abroad. This has meant that a series of needs have been created within the country, with interest being shown in developing a new economic framework to comply with international standards, both in the banking sector and the rest of the Andorran economy. On 9 May 2007 the Andorran Chamber of Commerce, Industry and Services (CCIS) organised a Conference on “Internationalisation of the Andorran economy: economic and tax issues” which involved a debate on the economic and tax measures to be taken by the Principality.

In this regard, Andorran banking is continuously monitoring the most up-to-date issues such as strategic sector risks, supervisory systems, Basel II requirements, the challenges of ensuring financial stability, the banks’ code of secrecy and transparency, new financial products and banc assurance services, as well as ethics, professional practices and corporate governance of the financial system, in addition to other matters of interest to the sector.

II.4.1. Developments in the legal and legislative framework

Some of the issues on which the Andorran banking sector is currently working are as follows:

International Financial Reporting Standards

Globalisation is contributing to an inexorable standardisation of corporate reporting mechanisms. The growing demand for transparency and comparability of information has led to the need for internationally applicable accounting standards, enabling the financial statements of companies to be analysed irrespective of where they conduct their business. In this context, since 1 January 2005 quoted companies have been under the obligation to apply the International Financial Reporting Standards (IFRS) introduced by European Parliament and Council Regulation 1606/2002 and European Parliament and Council Directive 2001/65/EC, affecting all the neighbouring countries with which Andorra has close trading relations. For the banking sector, the Bank of Spain approved the new Circular 4/2004 on 22 December 2004 which has involved significant changes to the accounting principles applied to date.

There are currently no official accounting standards in Andorra, with the exception of the Chart of Accounts for the financial system published by the Andorran National Institute of Finance (INAF) in 1999. These standards are based on the accounting standards of the Bank of Spain in that year and are adequate overall, but require updating in the context of IFRS. The Andorran authorities are currently preparing a draft accounting bill so that all Andorran companies can adopt standards in line with IFRS. In principle, the INAF aims to start converting to IFRS, once the draft accounting bill has been approved.

During the first quarter of 2006 the Association of Andorran Banks (*“Associació de Bancs Andorrans (ABA)”*) advised by the main auditing firms worldwide, completed a study of the impact that the process of adopting international financial reporting standards could have on the Chart of Accounts of the Andorran Financial System. This report has been distributed to all the Banks for their evaluation.

Basel II

The complex nature of this Revised International Capital Framework and its links with the International Financial Reporting Standards (IFRS) and the regulatory and supervisory systems existing in each country, mean that Basel II is an opportunity and a challenge that is not without its difficulties. The ultimate objective of the Basel Committee on Banking Supervision is to improve the strength and reliability of the financial system by placing ever more emphasis on each entity's internal control over its risk management processes and models, the supervisory process and market practices.

Furthermore, the Framework not only focuses on traditional credit and market risks but also fixes capital adequacy requirements to cover operational risk and other risks (i.e. strategic or reputation risk) and establishes qualitative requirements concerning the management of all such risks.

The three pillars comprising Basel II, which aim to align the regulatory requirements with the main economic principles of risk management, are as follows:

- *Pillar 1* establishes the regulatory capital requirements and maintains the traditional capital ratio at no lower than 8% of the risk-weighted assets, although it permits the use of sophisticated tools, to which many Andorran entities already have access, taking into consideration their risk profiles.
- *Pillar 2* defines the supervisory review process reinforcing the principles of internal control and corporate governance best practices. The regulatory bodies are therefore responsible for evaluating and intervening where necessary. The supervisor may request that an entity must hold a higher % of regulatory capital than that resulting from the application of Pillar I.
- *Pillar 3* aims to achieve market discipline characterised by information transparency and comparability.

To conclude, the Framework aims to ensure that entities that best manage their risks are able to benefit from certain advantages when calculating their capital adequacy requirements. Therefore, for those entities aiming to optimise their regulatory capital this new scenario could have major implications for their information technology systems, business processes, and financial objectives. However, the capital adequacy ratios reached by the Andorran banking system are more than adequate for facing these challenges.

On 21 March 2007 the Association of Andorran Banks (*“Associació de Bancs Andorrans (ABA)”*), in conjunction with the Catalan Accounting and Management Association (*“Associació Catalana de Comptabilitat i Direcció (ACCID)”*) presented a book, aimed at banking entities and insurance companies in the Principality, entitled *“La Indústria Bancària en el Marco de Basília II”* (*“The Banking Industry in the Framework of Basel II”*).

Money Laundering Prevention

For many years, the combat against the laundering of money obtained through illegal activities has been one of the country's priorities, especially for the Andorran banking system. In 1990 the Andorran banking system opted for voluntary self-regulation by adopting a code of professional practice and Andorra also modified its Criminal Code by introducing the assumption of the laundering of money obtained through criminal activities.

On 11 May 1995 the first law against international crime was passed and the legal framework was completed in 2000 with the passing of the *“Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime”* and the creation of a Laundering Prevention Unit (UPB). The UPB is an independent body in charge of promoting and coordinating money laundering prevention measures and cooperating with foreign counterparts. This law also establishes, inter alia, exhaustive client diligence and maintaining of client files.

The “Regulation of the Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime” was approved on 31 July 2002.

In February 2005 the new Andorran Criminal Code was approved by significantly redefining the concept of money laundering, in such a way that the range of possible criminal activities giving rise to money laundering has expanded. Consequently, this amendment to the Andorran Criminal Code has also affected certain articles of the aforementioned “Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime”.

On 11 April 2007 the General Council admitted a bill to amend the Andorran Criminal Code dated 23 March 2005, which includes a series of reforms to bring the Criminal Code into line with all the provisions of the Criminal Law Convention on Corruption, adopted by the European Council on 27 January 1999 and ratified by the Principality of Andorra on 8 November 2001.

The Andorran Government is currently working on a draft bill to modify the “Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime” and to adapt the Andorran legislative framework regarding money laundering to the recommendations of the FATF (Financial Action Task Force), as well as certain aspects outlined by MONEYVAL (in its last visit in October 2005). Some of the main features of the draft bill are as follows:

- To analyse activities relating to the financing of terrorism.
- To expand the definition of supervised individuals and companies.
- To ensure that the technical communiqués issued by the UPB are linked by the supervised entities.
- To enable to UPB to impose sanctions, except for those classified as very serious, which will continue to be the responsibility of the Andorran Government.

The UPB considers that numbered accounts do not hinder the authorities, as the banks comply with know-your-customer rules. External auditors are requested to be particularly diligent with these kinds of accounts as well as in other areas of concern. The UPB’s technical communiqués and the Ethical Code issued by the INAF make reference to Politically Exposed Individuals and this issue will be included in related legislation.

A combination of the provisions outlined above and the strict application of these provisions by all the agents involved, especially regarding the efforts made by the financial sector to adequately train all of its employees, has ensured that reports issued by the various international bodies have been favourable.

During the first quarter of 2007 the UPB gave a new training course on the prevention and detection of operations susceptible to money laundering. This course was attended by the majority of workers from the Andorran financial system.

Corporate Social Responsibility

As a result of recent accounting scandals in certain countries, ever stricter regulations are being introduced in order to strengthen internal control systems and corporate governance best practices. Nevertheless, a firm commitment to corporate social responsibility goes beyond strict compliance with the established standards and cannot just be seen as a strategy to improve an entity’s public image through a corporate social responsibility plan, which must be immersed in the entities’ values and philosophy.

The sector is committed to offering a wide range of financial products and services in a transparent and responsible manner; continuously controlling the impacts its activities may have on the country and the

Andorran society as a whole. Furthermore, the growing demands of increasing public awareness mean that the advances made by an entity are not only assessed from a financial perspective, but also from a social and environmental angle.

Many of the Principality's banks have started including in their annual reports details of the initiatives they have been conducting, in some cases for a number of years, in relation to this commitment to social responsibility. Many examples of this span various areas including culture, sport, education or the environment.

There is an increasing trend in other countries to present information in annual reports in a systematic manner to target the different groups with a special interest in the entity's activities: shareholders, employees, customers, suppliers, society, etc. (which are referred to as stakeholders). In order to ensure that investors can also make decisions based on other factors analysts are also demanding that major multinational corporations provide information to the market that is not just limited to traditional financial data. The different initiatives at international level to standardise the presentation of non-financial information have been well received, as they enable entities to also be compared from this new perspective. It therefore appears that in the near future, the market may demand that corporations refer to both financial and non-financial matters when providing information to the public.

In the context of corporate social responsibility and in order to maintain a high level of professional discipline, which characterises the whole of the Andorran financial system, the INAF, as an authority within the system and exercising its functions stipulated by Law 14 of 23 October 2003, has created certain regulations governing ethics and conduct for all entities authorised to operate in the Andorran financial system, thus ensuring its efficient functioning and stability at all times. These regulations, outlined in communiqué 163/05, define the regulations governing ethics and conduct that financial entities authorised to operate in the Principality of Andorra must respect at all times when carrying out their activities. These regulations are applicable as of 31 March 2006.

Agreement between the Principality of Andorra and the European Union regarding taxation on savings in the form of interest payments

As mentioned in the section of this chapter entitled "II.3. Legislative framework of the financial system", in its session held on 13 June 2005, the General Council of the Principality of Andorra approved the "Law applying the Agreement between Andorra and the European Union regarding taxation on savings in the form of interest payments". This law establishes the obligation to make a withholding at source on interest payments made by payer agents established in Andorra to effective beneficiaries, individuals resident in one of the European Union member States.

In compliance with this law, the financial entities have established a series of control procedures to make the corresponding withholdings on savings income in the form of interest payments and in their capacity as paying agents, to comply with the obligations included in the agreement and in the law governing the payment of the withholding.

During 2006 all the banking entities have complied with the obligations included in the Agreement and the related law and have settled the payment of the withholding as established by the aforementioned legislation.

SEPA (Europayments Area)

SEPA is a project focused on creating a single European market for Euro payments, making it possible for European citizens and companies to make payments in Euros throughout the Euro zone from a single bank account, using a single series of payment instruments and with the same simplicity, efficiency and security as currently used in their respective countries.

This project aims to dispense with the difference currently existing in the European Union between national and cross border payment services in a practical and efficient manner, as this difference implies that Monetary Union is lacking.

Currently only member states of the European Economic Area can become SEPA members. Micro-States such as Monaco, San Marino and Andorra will have to wait for subsequent negotiations held by Switzerland and Liechtenstein to be able to evaluate the situation. Nevertheless, Andorra is currently studying the requirements to be considered in view of its hypothetical membership of SEPA and the possible impact on the Andorran financial system.

MiFID (Markets in Financial Instruments Directive)

MiFID will come into force on 1 November 2007 and its objective is to regulate Financial Markets by introducing a single market and a common regulatory regime for financial services in the 27 European Union member States and in 3 other States of the European Economic Area: Iceland, Norway and Liechtenstein.

MiFID contains specific organisational requirements mainly relating to the management of conflicts of interest and the outsourcing of accounting services and processes. In addition, the conduct of business and the obligation to act in the best interests of the investor (best execution) are key elements of the Directive.

The main objectives of MiFID are as follows:

- To create a single European Union market for financial services.
- To respond to changes and innovations regarding market security.
- To protect investors.

The Andorran banking entities are currently analysing the Directive to ascertain their level of compliance.

Financial laws

The Andorran Government's Ministry of Finance and the INAF are currently working on various draft bills to regulate financial entities and investment bodies. These draft bills are planned to be admitted to Parliament during the last quarter of 2007.

Deposit guarantee reserve

A review of Andorran legislation governing deposit guarantee reserves is currently being studied.

III.4.2 Other legislation having an impact on the Andorran financial and banking system

Package of economic laws

In accordance with the country's requirements, the Andorran Government's Ministry of the Economy is currently drafting new legislation regarding companies. This legislation is intended to be up-to-date, transparent and unified with respect to the neighbouring countries and the European Union. It is also foreseen that this new legislation will deal with taxation issues, allowing foreign investment in certain sectors of activity whilst protecting traditional sectors. It will also be of interest to companies and will help to promote growth and development of the country.

This package of economic laws, which includes three bills explained below, was admitted to Parliament during the second half of 2006.

Company Bill

This bill aims to clearly define the liabilities of company shareholders and directors; minimise related administration costs; speed up and make safer the process of incorporating companies; exert pressure on the figure of a "*prestanoms*" (nominee); admit solely-owned companies; make it obligatory for all companies to deposit annual accounts and make it obligatory for all companies reaching certain turnover levels, total assets and number of employees to be subject to audit.

Company Accounting Bill

The objective of this bill is to create up-to-date and generalised accounting for all business activities, focusing on the convergence towards International Accounting Standards (IAS). This will make it easier to compare company accounts with those from other countries, with Andorran companies being adapted to the European Union following the accounting model included in the Fourth Community Directive and making them flexible and adapted to the real situation of the Andorran economy, thus avoiding any unnecessary complications.

Foreign Investment in the Principality of Andorra Bill

The main goals of this new Law are to attract foreign investment in certain sectors within a defined legal framework, increase liberalisation and competitiveness within the country, enter into European Union cooperation agreements and provide incentives to new sectors of activity.

It can be seen in the above sections that the Andorran economy, and especially its financial sector is facing some very significant short and medium-term challenges. Many of these are interconnected and provide considerable opportunities, but will no doubt involve the need to make significant changes and refocus strategies.

III. ECONOMIC ENVIRONMENT



III. ECONOMIC ENVIRONMENT

III.1. GENERAL INFORMATION

Population: Demographic data

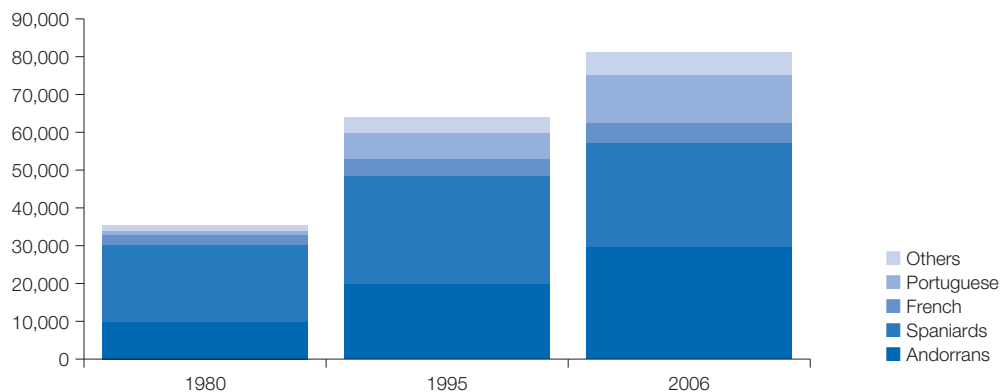
The Andorran population has grown by 3.40% in 2006 compared to the previous year, reaching the figure of 81,222 inhabitants.

Birth and death rates in the Principality stand at 10.38% and 3.20%, respectively, and are stable with respect to 2005. Birth rates are similar to the European average, whereas death rates are much lower. 56.90% of the rise in population in 2006 is due to migration and census legalisations and the remaining percentage relates to the natural increase. The same circumstances arose in 2003 and 2004, but with a more noticeable effect due to migration.

The structure of the Andorran population historically comprises different nationalities. Over the last thirty years Spaniards have represented the largest part of the population. However, since 2005 this trend has reversed and Andorrans now represent the most significant percentage of the Principality's population.

One of the differentiating factors of the Andorran demography is the notable diversity of nationalities forming part of a relatively small population. The graph below shows a breakdown of the population in 2006: 36% of Andorrans, 34% of Spaniards, 16% of Portuguese and 6% of French residents. Therefore, foreign residents represent 64% of the Andorran population.

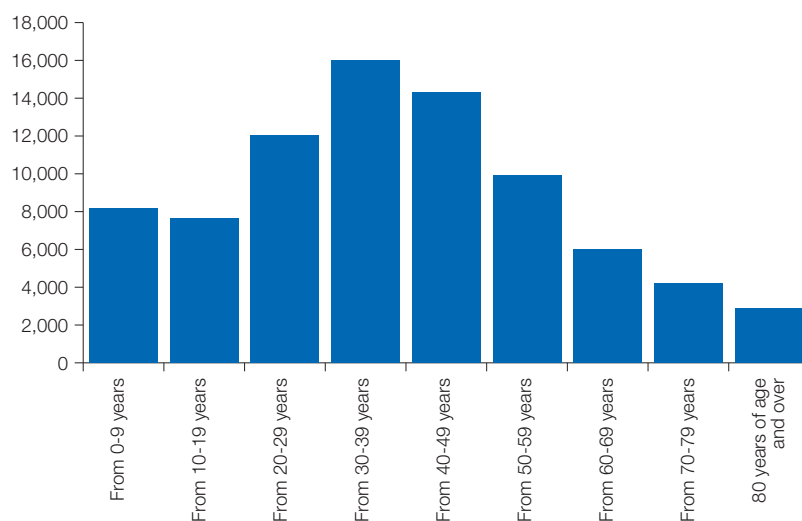
Evolution of population by nationalities



Source: Study Service of the Andorran Government - Ministry of Finance

An analysis of the population by age structure shows that the majority of the population comprises citizens of between 25 and 49 years of age. This scenario has followed the same trend for various decades and results from the existence of a high percentage of workers from abroad who often do not have their family units firmly established in Andorra.

Structure of population by age in 2006



Source: Study Service of the Andorran Government - Ministry of Finance

Education

Data shows evidence of rising trends in schooling, with the population in education having progressively increased from 2000 to date and registering an accumulated rise of 11% up until 2005, when the population in education was represented by 10,477 students.

Andorra offers state education from infant to Baccalaureate (*Batxiller*), private education and vocational training. State education in Andorra is provided under both the Spanish and French systems and the Principality also has its own education system. Higher education is offered at the *Universitat d'Andorra* (UdA), which receives a significant amount of collaboration from abroad and promotes new information technologies. The *Universitat d'Andorra* comprises the *L'Escola Universitària d'Infermeria* (Nursing School), *l'Escola d'Informàtica i de Gestió* (Computer and Management School), the *Centre d'Estudis Virtuals* (Centre for Virtual Studies), University Extension and a *Bàtxel·lor en ciències de l'educació* (Bachelor's Degree in Education).

The population in education is distributed proportionally between three education systems thanks to the progressive consolidation of the Andorran education system created over ten years ago. Furthermore, the creation and development of the *Universitat d'Andorra* has enabled a wide range of university studies to be offered within the Principality.

The aim of vocational training is to train students so that they can find employment in certain activities forming part of the Andorran economy. The three current educational systems in Andorra offer vocational training at centres such as the *Centre de Formació de Professionals de l'Esport i de la Montanya* (Centre for the Training of Sports and Mountaineering Professionals) or the *Centre de Formació d'Aprenents* (Learner Training Centre), the *Liceu Comte de Foix* Centre offering electro-mechanical, accounting, hotel and catering studies and finally the *Janer* School which operates under the Spanish educational system.

In 2005, 54.90% of Andorrans were studying at universities in Spain, 15.43% in France and 29.16% in Andorra (a figure which has risen in recent years).

Employment market

The trend in the number of jobs continues to rise, registering growth of 3.62% compared to the previous year, similar to the 3.73% growth for 2005, compared to 2004.

Jobs (Annual average)	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Jobs	44,058	46,537	48,738	50,556	52,385
Number of wage earners	37,516	39,373	41,087	42,417	43,380

Source: Monthly Gazette of the Andorran Government

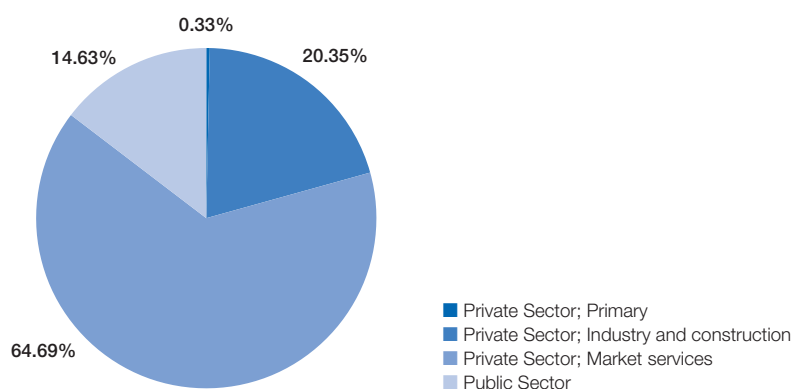
The number of wage earners has risen by 2.27%, compared to the 3.23% increase in 2005.

Based on an analysis of wage earner figures from the *Caixa Andorrana de Seguretat Social (CASS)* (social security authorities), it can be observed that 64.69% of wage earners are employed in commerce, construction, hotels and real estate and rental. Furthermore, 14.63% of wage earners are employed in the public sector which includes the Public Administration and Social Security, health authorities, education and extraterritorial bodies. The financial sector employs 3.59% of wage earners.

An analysis of growth in the number of wage earners in each economic activity, shows that the most significant rise in 2006 took place in the real estate and rental sector (10.38%), followed by Public Administration and Social Security and health authorities (7.49%). Finally it should be highlighted that a certain economic stagnation could be the reason for the decline in the number of wage earners employed in commerce and hotels (up 0.42%), despite these being two of the main activities in Andorra.

Details of the distribution of wage earners by economic sectors in 2006 are as follows:

Distribution of wage earners by sector in 2006



Source: Caixa Andorrana de Seguretat Social

There have been 5,120 registrations with the CASS in 2006, implying considerable activity and a high turnover of personnel, although representing a very slight drop of 12.5% compared to the previous year, reflecting the decline in the number of CASS registrations in previous years (2005: -0.4%, 2004: -0.2%, 2003: -5.6%), which is directly related to the slowdown in various economic sectors.

In addition, the table below shows that the Andorran employment rate is 8% higher than the figure for the 27 European countries. It should be highlighted that workers in the Principality of Andorra who temporarily or definitively lose their jobs and therefore cease to receive a salary, do not receive any unemployment benefits.

Employment rate (Percentage)	ANDORRA		UE- 27	
	2005	2006	2005	2006
	Employment rate (*)	73.80	72.79	63.40

(*) Wage earning population as percentage of population from 15 to 64 years of age
 (1) Provisional value according to Eurostat

Source: Caixa Andorrana de Seguretat Social, Eurostat and the Central Bank of Spain

The notable presence of tertiary activities in the economy, especially tourism-related activities, implies the existence of flexible contracts and seasonal jobs.

Growth of salaries

Unlike other neighbouring countries, Andorra has no collective bargaining system to establish yearly salary levels. However, the Andorran Government sets the minimum hourly salary rate at a national level.

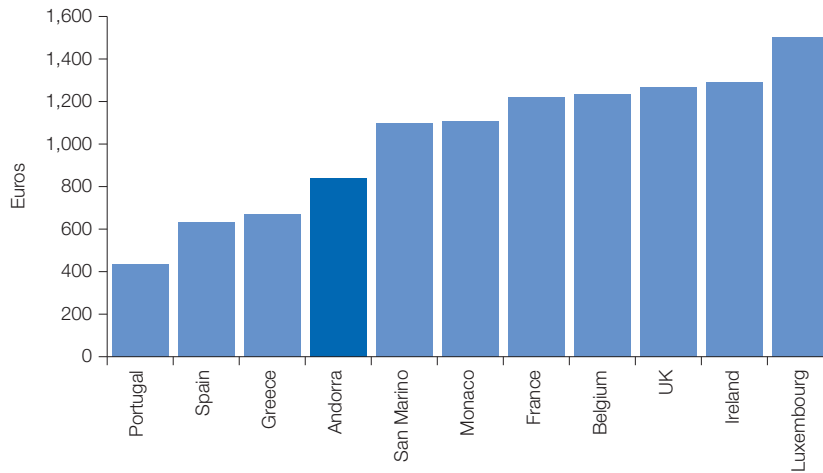
The table below shows the evolution of the minimum and average salaries of the Principality's economy from 1995 to date. It can be observed that the minimum salary has experienced sustained growth in recent years, reaching an average monthly figure of Euros 838 for 2006. This continuous rise in recent years is also reflected in the evolution of the average salary which has grown at higher rates in proportion to the minimum salary, with constant growth in real terms. The salary growth rate has dropped slightly in 2006, despite remaining in line with the figures obtained in previous years, with the average value of this rate in the 2000-2005 period standing at 5.4%.

Growth of average and minimum salaries in Andorra (Monthly Euros)	1995	2001	2004	2005	2006	Var. % 05-06
	Average salaries	1,021	1,317	1,531	1,619	1,702
Minimum salaries	616	725	783	813	838	3.08%

Source: Monthly Gazette of the Andorran Government

The graph below shows a comparison of minimum salaries in 2006 between Andorra and other countries. It can be observed that although Andorra has a lower minimum salary than countries such as San Marino, Monaco and Luxembourg, it has a higher minimum salary than Spain and Portugal.

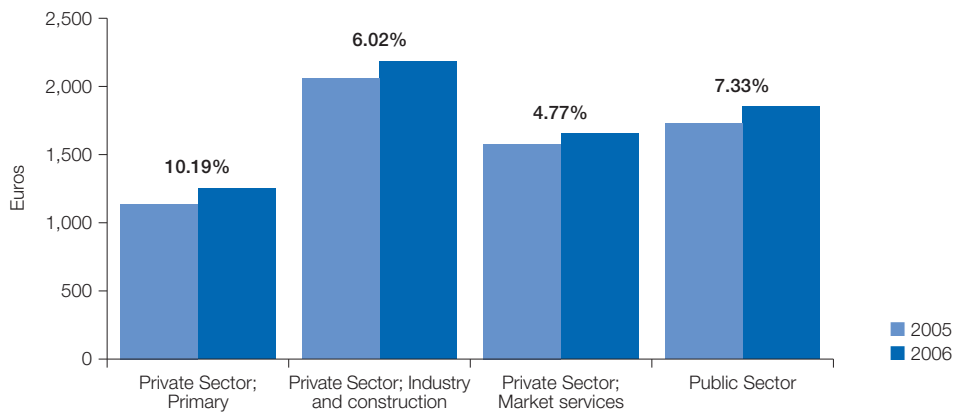
Minimum salaries 2006



Source: Eurostat and Study Service of the Andorran Government - Ministry of Finance

Following the trend of previous years, average salaries for each sector have risen in 2006, registering growth in all sectors exceeding the CPI (3.7%). This illustrates that pressure exerted on the employment market by the labour requirements of the Andorran economy has led to an increase in salaries.

Evolution of average salaries per sector



Source: Caixa Andorrana de Seguretat Social

In 2006, the financial system and the electricity, gas and water production and distribution sector are those sub-sectors paying by far the highest average salaries, Euros 3,719 and Euros 2,919, respectively.

III.2. MAIN ECONOMIC VARIABLES

National income and income per capita

Although Andorra does not have an official estimation of national income, certain private entities make yearly estimates of this macroeconomic indicator. According to the most recent study on Andorra published by the Standard & Poor's rating agency (dated 3 October 2006, data will be updated in the next report), the evolution of national income per capita over the last few years is as follows:

National income and income per capita				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>F2006 (*)</u>
National income (millions of Euros)	1,865	2,020	2,208	2,406
Income per capita (Euros)	25,788	26,274	28,106	29,621
Variation in national income with respect to the previous year	10.84%	1.88%	6.97%	5.39%

(*) F: Forecast. Average annual exchange rate EUR/USD

Source: Standard & Poor's Report

A comparative analysis of the Andorran gross domestic product with the main European countries and the USA and Japan is shown below. As can be observed, the GDP per capita in the Principality stands at the average in the Euro zone, above that of Spain and below that of countries such as Luxembourg, Switzerland or the USA.

GDP per capita, 2006	
(In Euros)	
<u>Country</u>	<u>Balance</u>
Luxembourg ⁽²⁾	58,637
Switzerland	38,389
USA	28,915
Andorra ⁽¹⁾	29,621
Japan	27,355
Germany	26,543
France	25,086
Spain	15,084
Portugal ⁽²⁾	12,183

(1) Forecast Standard & Poor's
(2) Provisional information

Source: IMF

Consumer price index

Prices continued to rise moderately in the Euro zone and the majority of the countries included therein during 2006. Prices rose by 2.20% in the whole of this zone, similar to the percentage increase in the previous year.

The Andorran consumer price index for 2006 closed at 3.69%. According to the Ministry of Finance this is positive data, as it demonstrates that the first year of applying Indirect taxation on services rendered ("*Impost indirecte sobre serveis (ISI)*") has only affected the CPI by 0.9%. The drop in petrol prices has been crucial to curbing the CPI.

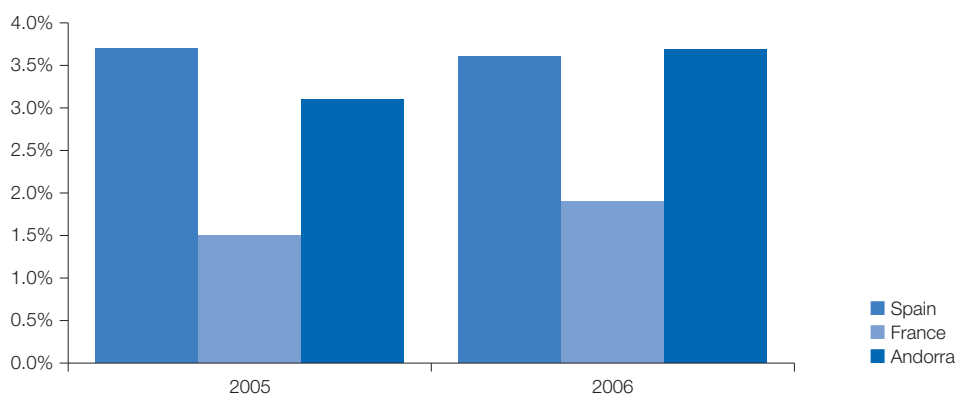
The chart below shows the annual average unified CPI, illustrating that the Andorran CPI for 2006 is higher than the Euro zone average, the year-on-year CPI stands at 3.20%.

Unified year-on year CPI 2006	
Andorra	3.69%
Spain	3.60%
Portugal	3.10%
Ireland	2.70%
Luxembourg	2.70%
Italy	2.20%
France	1.90%
Germany	1.80%
Euro Zone	2.20%
USA	3.20%
United Kingdom	2.30%
Switzerland	1.00%
Japan	0.20%

Source: IMF and Study Service of the Andorran Government - Ministry of Finance

Details of the growth of the Andorran, French and Spanish consumer price indexes for the last two years, are as follows:

Evolution of inflation in Andorra, Spain and France

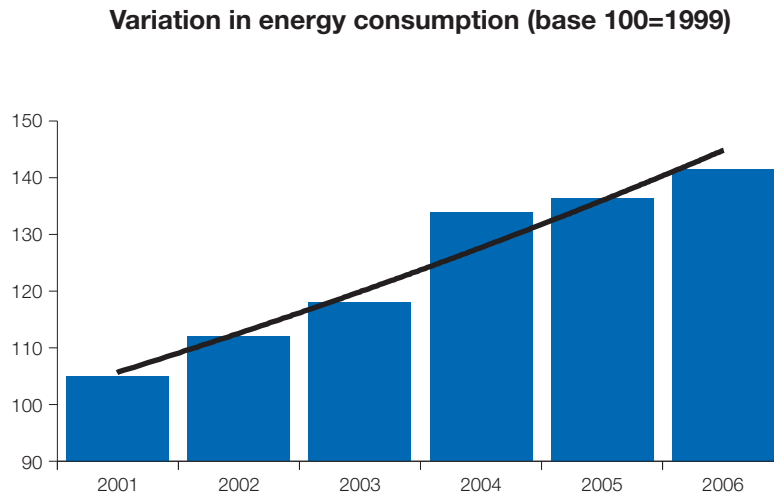


Source: IMF and Study Service of the Andorran Government - Ministry of Finance

Consumer prices have risen by 3.69% in 2006, similar to the 3.10% of the previous year. Housing and Transport continue to fall mainly due to the drop in petrol prices. Restaurants is one of the groups with the highest rise in prices this year. A significant part of this increase is attributable to the generalised application of Indirect taxation on services rendered (*"Impost indirecte sobre serveis (ISI)"*).

Electricity consumption

Electricity consumption is a useful indicator for estimating the progress of a country's economic activity. The evolution of electricity consumption over the last six years is shown below:



Source: Monthly Gazette of the Andorran Government

From the graph above it can be observed that, as a whole, electricity consumption has risen by 3.77% since 2005 (555,623 Mw/h).

The most significant nucleus of total electricity consumption is concentrated mainly on domestic consumption (15.26%), whereas in the services sector, including distribution, consumption represents 13.81% and in the hotel and catering business it represents 12.64%. This confirms once again that the tertiary sector is one of the mainstays of the country's economy.

Telecommunications

Over the last few years, there has been a rise in the number of telephone subscribers (especially mobile telephone users), which is in line with the growth this sector has experienced in neighbouring countries.

Subscriptions to telecommunication services 2006

(Units)

	2002	2003	2004	2005	2006
Land line telephones	43,561	45,065	45,348	45,653	46,271
Telephone lines	34,922	35,171	35,040	35,178	35,790
XDSI Channels	8,639	9,894	10,308	10,475	10,481
Mobile telephones	32,790	51,893	58,366	61,212	66,556
Mobiland contract	31,325	33,796	33,733	34,773	36,337
Mobiland Clic Prepayment	1,465	18,097	24,633	26,439	30,219
Data lines	657	681	679	678	659
Commuted lines	197	201	219	222	223
Specialised lines	460	480	460	456	436
Total capacity contracted in Kbps	-	199,277	257,266	291,413	332,180
ADSL	1,148	3,601	6,282	8,121	12,539

Note: Information related to December for each year

Source: Servei de Telecomunicacions d'Andorra

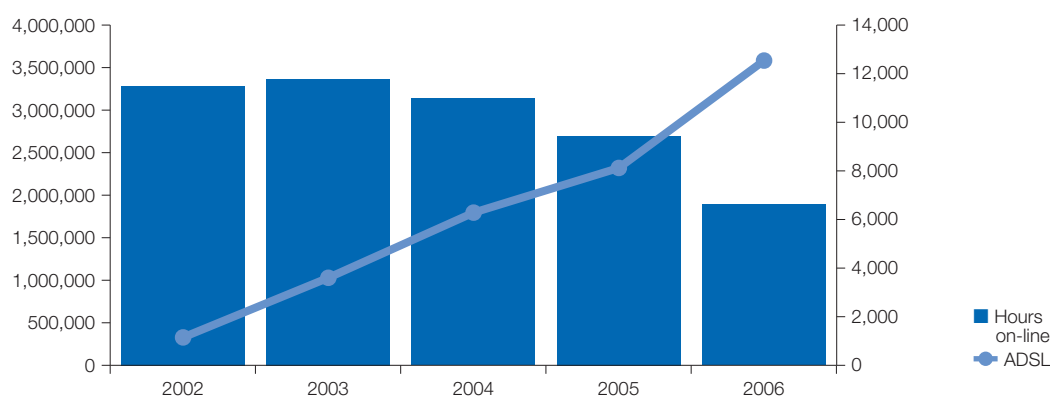
The land line telephone penetration rate for 2006 stands at 57%, which exceeded the figure registered in Spain (42%), but was below the penetration rate reached in France (61%).

On the other hand, the mobile telephone penetration rate stands at 82% this year, exactly the same figure registered in France, but below the penetration rate of 103% reached in Spain.

The number of mobile telephone contracts provides representative data for measuring consumption in contemporary economies. It should be highlighted that the 8.73% rise in the number of mobile telephone contracts in 2006 exceeds the previous year's increase by almost 80%.

Following the trend started in 2004, the number of hours on-line in 2006 has dropped by 29%, due to the effect of a significant increase in ADSL connections, in detriment to analogue connections which are used as the basis for calculating the aforementioned number of hours on-line. It should be noted that the ADSL penetration rate in Andorra stands at 16%, exceeding the 12% reached in Spain, with both these percentages being below the 20% penetration rate reached in France.

Evolution of Internet connection hours and ADSL Internet communication



Source: Servei de Telecomunicacions d'Andorra

Vehicle Licensing and Fuel

Another of the variables to be taken into consideration is that of vehicle licensing, which is indicative of internal demand in the Andorran economy. Vehicle licensing in Andorra (which includes mopeds, special vehicles and snowmobiles) is down 14.82%, although the decrease in terms of the value of imports has been lower at 10.30% compared to 2005, whilst remaining at a high figure of 5,769 compared to the total population.

This decline has been caused by the drop in average-sized vehicle sales, whilst sales of top of the range cars have remained the same.

Licensed vehicles						
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	Var. (%) 05-06
Total vehicles	5,975	6,441	7,107	6,773	5,769	(14.82%)

Source: Monthly Gazette of the Andorran Government

One of the indicators of consumption is based on fuel imports, which are down 5.31% on the previous year, mainly due to the drop in price differences with neighbouring countries and the fall in domestic fuel consumption during the last quarter of the year as a result of the exceptionally warm weather last winter.

Fuel Import (Liters)						
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	Var. (%) 05-06
Unleaded gas	46,959,081	43,313,085	42,419,116	40,038,113	36,218,624	(9.54%)
Diesel oil locomotion	92,586,915	94,525,542	102,407,277	105,204,653	106,993,438	1.70%
Domestic fuel	62,549,565	65,345,942	69,351,623	73,243,794	63,589,706	(13.18%)
Oils of motor	252,371	162,892	-	-	-	-
Kerosene and kerosene for jet engines	159,500	60,600	-	10,560	101,093	-
TOTAL	202,507,432	203,408,061	214,178,016	218,497,120	206,902,861	(5.31%)

Source: Study Service of the Andorran Government - Ministry of Finance

III.3. PUBLIC SECTOR

The Andorran public sector is comprised of the Central Government, seven *Comuns* (equivalent to town councils), ie. one for each of the seven parishes of Andorra, and parapublic entities.

Central Government

The Government's budget for 2007 stands at Euros 387,555 thousand, 13.82% up on 2006. This increase is generated by the rise in revenues from taxes, which is forecast to be 30% higher than the figure budgeted in the previous year. This significant increase in revenue from taxes is mainly due to the 26% rise in indirect taxes levied and the creation of a capital gains tax on real estate (*Impost sobre les plusvàlues en les transmissions patrimonials immobiliàries*), an indirect tax which came into force in 2007. Furthermore, growth in revenues from indirect taxation is also due to the generalised implementation of Indirect taxation on services rendered ("*Impost indirecte sobre serveis (IS)*"). This tax came into force in 2006, but for budgetary purposes is not payable until the first quarter of 2007, as payments on account have not been made during 2006 because it was the first year this tax was levied.

The relative importance of investments and expenses has not varied significantly, although there has been a notable drop, in relative terms, in the importance of operating expenses as a percentage of total budgeted expenses and investments.

Central Government budget (Thousands of Euros)				
	<u>Budget 2006</u>	<u>% of total</u>	<u>Budget 2007</u>	<u>% of total</u>
Total income	340,496	100.00%	387,555	100.00%
Direct taxes	-	-	11,072	2.86%
Indirect taxes	257,782	75.71%	323,818	83.55%
Other income	35,557	10.44%	35,870	9.26%
Changes in net financial assets	117	0.03%	121	0.03%
Changes in net financial liabilities	47,041	13.82%	16,674	4.30%
Total expenses and investments	340,496	100.00%	387,555	100.00%
Investments	111,136	32.64%	126,421	32.62%
Transfers	97,139	28.53%	117,877	30.42%
Operating expenses	123,795	36.36%	128,726	33.21%
Financial expenses	7,914	2.32%	14,414	3.72%
Financial assets	501	0.15%	105	0.03%
Financial liabilities	12	-	12	-

Source: Monthly Gazette of the Andorran Government

The public debt of the Principality of Andorra is generated by the Government and the *Comuns*. At the end of 2006, the Government's financial debt amounted to approximately Euros 260 million, representing 13% of the national income of the Principality.

As in previous years, Andorra strictly complies with Maastricht criteria which stipulate a maximum of 60% of the public debt as a percentage of the gross domestic product, even though the public deficit exceeds 3% of the GDP.

Parapublic entities

Parapublic entities comprise a group of entities managing public and other services, which are publicly owned and include healthcare and social entities (*Centre Hospitalari Andorrà*, *Servei Andorrà d'Atenció Sanitària*, retirement homes and *Caixa Andorrana de Seguretat Social*); energy suppliers and telecommunications providers (*Servei de Telecomunicacions d'Andorra* and *Forces Elèctriques d'Andorra*); the Andorran National Institute of Finance (*Institut Nacional Andorrà de Finances*), the Andorran National IT Centre (*Centre Nacional d'Informàtica d'Andorra*) and *Radio i Televisió d'Andorra*.

These entities have been accompanied by the dynamic success of other parapublic companies, giving rise to significant economic growth in Andorra in recent years.

A comparison of the budgets of these entities for 2006 and 2007 is as follows:

Spending budgets for Andorran parapublic entities			
(Thousands of Euros)			
	2006	2007	Var. (%) 06-07
Forces Elèctriques d'Andorra (FEDA)	48,386	73,338	51.57%
Servei de Telecomunicacions d'Andorra (STA)	83,753	89,002	6.27%
Servei Andorrà d'Atenció Sanitària (SAAS)	36,616	41,408	13.09%
Caixa Andorrana de Seguretat Social (CASS)	205,840	215,004	4.45%
Andorran National Institute of Finance ("Institut Nacional Andorrà de Finances (INAF)")	2,482	2,875	15.81%
Residència Solà d'Enclar	1,273	1,318	3.57%
Institute of Andorran Studies - ("Institut d'Estudis Andorrans (IEA)")	873	1,169	33.86%
University of Andorra ("Universitat d'Andorra (UdA)")	2,686	2,784	3.63%
Escola de Formació de Professions Esportives i de Muntanya (EFPEM)	465	444	(4.48%)
Cattle dealers of Andorra ("Ramaders d'Andorra")	1,424	1,533	7.65%
Radio and Television of Andorra ("Ràdio i Televisió d'Andorra (RTVA)")	4,650	4,838	4.04%
TOTAL	388,448	433,713	11.65%

Source: Monthly Gazette of the Andorran Government

Local Government

The Andorran *Comuns* obtain a large part of their annual revenues from transfers received from the Andorran Government, and the remaining amount from funds they collect and other income. Details of the main captions of the 2007 income and expense budgets for the *Comuns* are as follows:

Local government budget for 2007							
(In Euros)							
	<u>Canillo</u>	<u>Encamp</u>	<u>Ordino</u>	<u>La Massana</u>	<u>Andorra la Vella</u>	<u>Sant Julià de Lòria</u>	<u>Escaldes-Engordany</u>
Total income	17,370,265	37,828,789	18,917,081	20,358,006	48,661,400	16,403,085	35,180,845
Transfers	6,561,000	6,980,060	6,362,964	6,820,640	12,513,335	7,085,981	11,052,509
Own collection of funds and others	10,809,265	30,848,597	12,554,117	13,537,366	31,476,160	8,855,002	18,493,208
Financial liabilities	-	48	-	-	4,671,905	462,103	5,635,128
Financial assets	-	84	-	-	-	-	-
Total expenses and investments	17,370,265	37,828,789	18,917,081	20,358,006	48,661,400	16,403,085	35,180,845
Investments	6,445,000	10,985,445	6,676,228	6,784,531	19,271,140	4,883,662	16,058,492
Operating expenses	5,349,540	20,811,326	7,681,117	10,647,358	27,260,016	9,760,232	15,902,439
Transfers	691,600	1,985,933	546,016	837,818	786,744	434,191	577,757
Financial expenses	555,000	794,203	358,500	475,906	728,500	325,000	1,040,157
Financial assets	-	48	-	1,200,000	-	1,000,000	-
Financial liabilities	4,329,125	3,251,835	3,655,220	412,393	615,000	-	1,602,000
Budget result	-	-	-	-	-	-	-

Source: Monthly Gazette of the Andorran Government

The own collection of funds and others caption represents 63% of total revenues and is mainly comprised of taxes collected by the *Comuns*. General taxes represent 51% of taxes collected by the *Comuns*, with 19% coming from equity revenue, 18% from indirect taxes on economic activities or real estate and 12% from direct capital transfer tax.

Transfers from Central Government represent 29% of total revenues; whilst *Comuns* investments represent 37% of total expenses and investments budgeted by the *Comuns*.

III.4. ECONOMIC SECTORS

Introduction

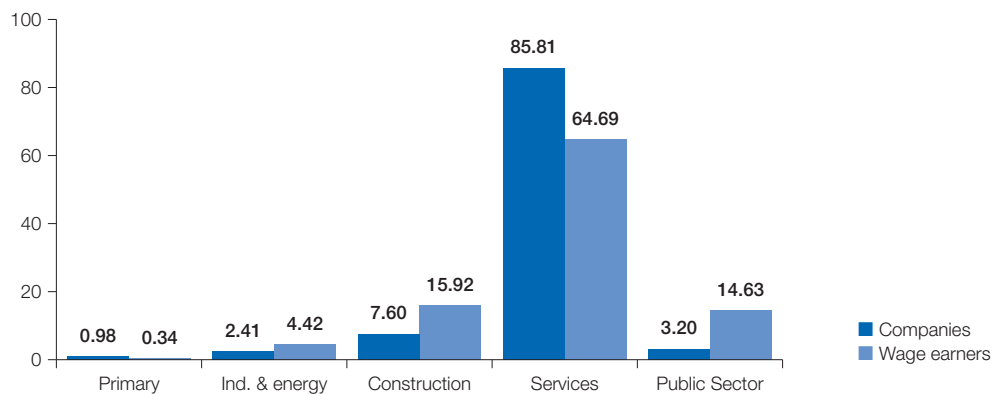
Until the beginning of the 20th century the Andorran economy was that of subsistence, based on agriculture, livestock farming and commerce. After the Second World War the Andorran economy started to boom, mainly induced by the same rate of growth in neighbouring states.

This growth has been reflected in an economy based mainly on the tourism and commercial sectors, which are heavily dependent on the foreign sector and which have expanded thanks to ideal climatic and geographical characteristics, also leading to growth in the construction sector.

From information available on the Principality we have been unable to examine each sector's contribution to the gross domestic product (GDP) and, for this reason, the production structure had to be analysed by extracting employment data. These data have already been analysed in the section describing the composition of the working population by sector.

The Principality of Andorra has 8,699 companies and employs a total of 43,380 people. Small companies predominate within the Andorran business structure. The following graph clearly shows that the services sector has significant importance within the business structure of Andorra, representing 85.81%, which is higher than that of all the developed European economies. Construction is ranked second (7.60%) and the public sector represents 3.20%, whilst industry and primary activities have a lower importance.

Distribution of companies and wage earners by sector 2006 (in %)



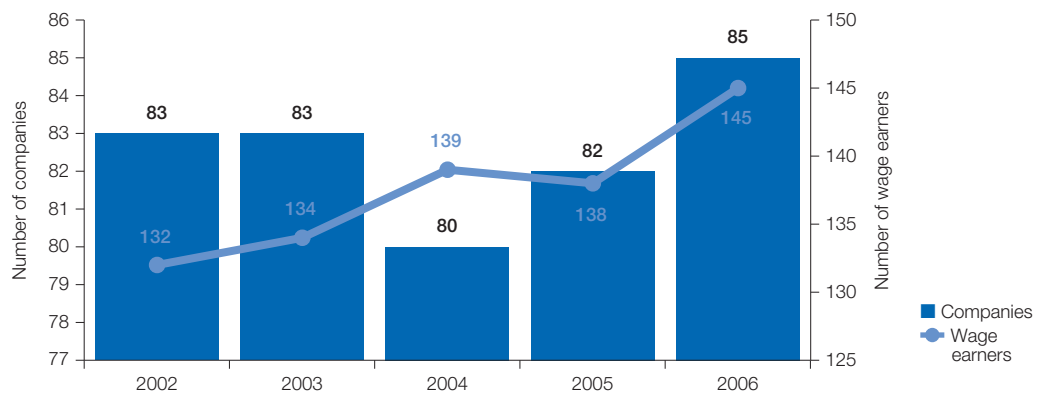
Source: Caixa Andorrana de Seguretat Social and Monthly Gazette of the Andorran Government

Primary sector

From the second half of the 20th century to the 1990s the primary sector has experienced an economic downturn, until reaching the stability of recent years. This sector employs just over 0.30% of the total working population and represents almost 1% of the total number of companies. Likewise, certain sectors of activity, such as the cultivation of tobacco and livestock farming, have significant influence on the economy.

The graph below shows the growth in average employment and the average number of primary sector companies since 2002.

Evolution of the average number of companies and wage earners in the primary sector



Source: Caixa Andorrana de Seguretat Social and Monthly Gazette of the Andorran Government

Although this sector is continuing to lose importance, it should be emphasised that developed nations are constantly taking measures to maintain and revive the primary sector, since these nations have come to consider this sector as key to environmental conservation and not just as a productive sector.

In this regard, the Andorran Association of Farmers and Stockbreeders (*Associació de Pagesos i Ramaders*) and the Ministry of Agriculture and the Environment (*Ministeri d'Agricultura i Medi Ambient*) promote livestock farming through the granting of subsidies and the firm backing of a pilot project for the production of Andorran beef.

Secondary sector

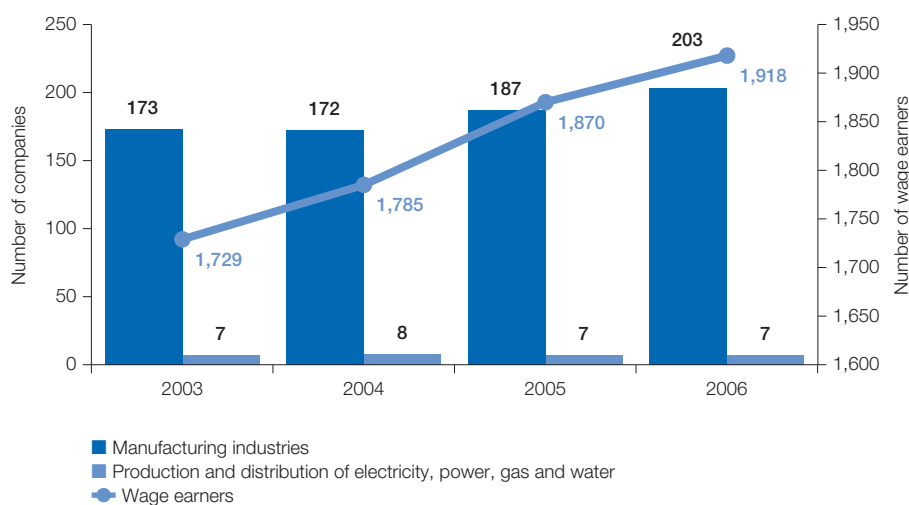
Industry and energy

Industry and energy also maintain a low relative importance with regard to the production structure of the country. Social Security registered workers in the manufacturing industries and electricity, gas and water production and distribution industries represent 4.42% of the total workforce.

The Andorran energy sector is closely linked to the international scenario and in particular to neighbouring countries, in view of the significant dependence abroad regarding supply sources. Electricity represents one fifth of the country's energy consumption and more than 80% is imported from Spain and France. The electricity sector is a deregulated sector in which *Forces Elèctriques d'Andorra* (FEDA) is the sole producer and importer of electricity in Andorra and supplies the other distributors in the country such as *Nord Andorrà, SA*, *Mútua Elèctrica de Sant Julià*, *Societat Exploradora i Repartidora del Comú d'Encamp, SA* and *Unió Elèctrica d'Encamp*.

The manufacturing sector is characterised by weak internal demand, a lack of specialised workforce and a rise in competition regarding production costs. The graph below illustrates the slight growth in the sector during 2006.

**Evolution of the average number of workers by company in the secondary sector:
Industry and energy**



Source: Caixa Andorrana de Seguretat Social and Monthly Gazette of the Andorran Government

Industries with a specific importance within the sector are those relating to foodstuffs and beverages, wood manufacturing, graphic arts and other support media, in addition to those relating to the production and distribution of electricity, gas and water.

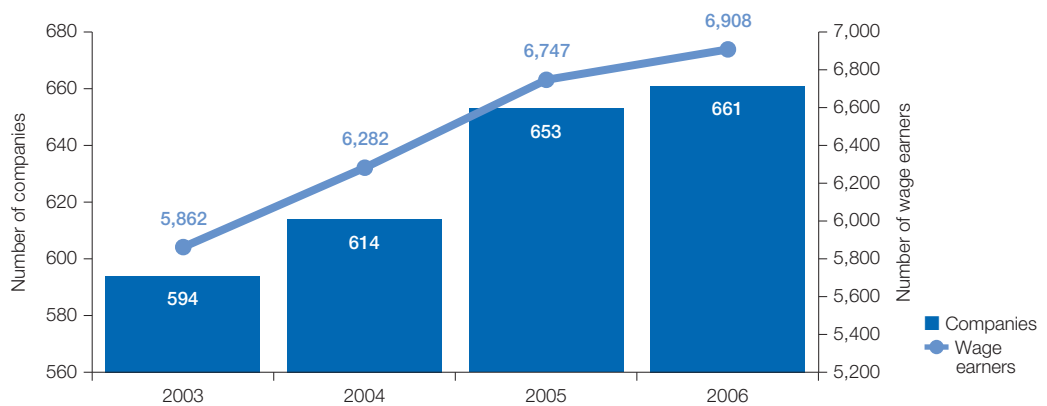
The business structure of the sector is dominated by small companies. Approximately 54.28% of these companies have 5 or less workers and only 9.04% have a headcount exceeding 25 employees.

Construction

The construction sector has undergone a change in trend, implying that although it remains one of the mainstays of the Andorran economy, it is currently slowing down and this is reflected by much lower growth rates than those of recent years.

The construction sector employs 15.92% of the working population and represents 7.60% of the country's companies.

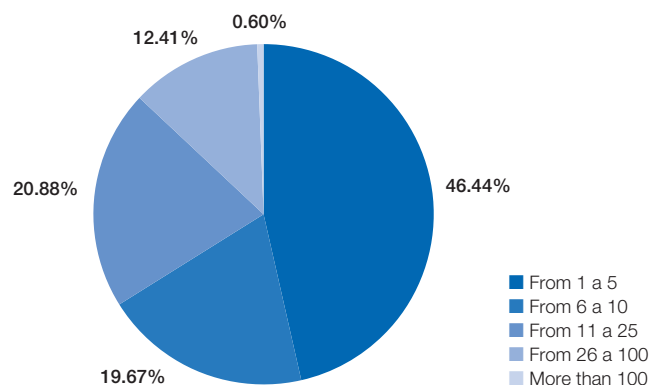
Evolution of the average number of workers by company in the secondary sector: Construction



Source: Caixa Andorrana de Seguretat Social and Monthly Gazette of the Andorran Government

The business structure of the sector is mainly comprised of small companies, in the absence of large construction groups. Almost half of the companies have 5 or less employees, whilst only 12.41% have a headcount of more than 25 workers.

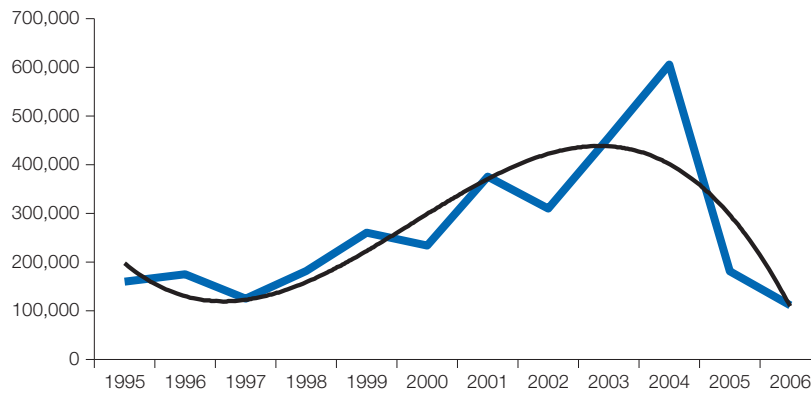
Distribution of construction companies by number of wage earners 2006



Source: Caixa Andorrana de Seguretat Social

The construction sector has shown very significant development over the last 10 years, duplicating profits generated since 1995. Nevertheless, it should be taken into consideration that the peak shown on the graph below taking place in 2004 was due to the moratorium in May 2003.

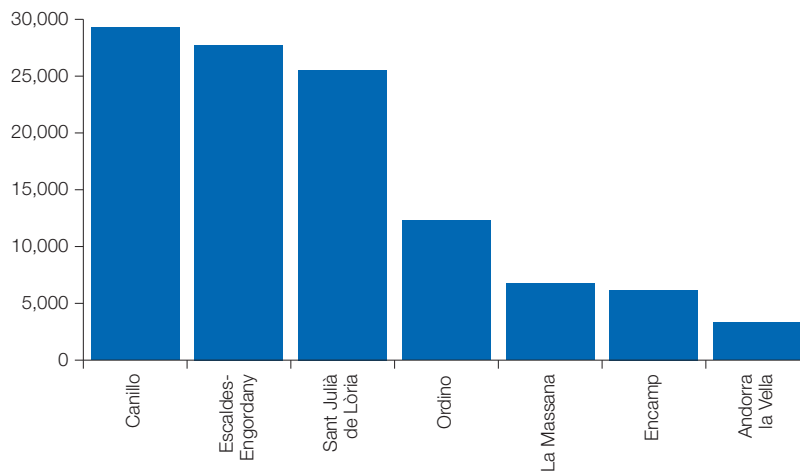
Surface area authorised for development. 1995-2006 (m²)



Source: Monthly Gazette of the Andorran Government

The graph below shows the construction boom in Canillo (29,291 m²), in Escaldes-Engordany (27,734 m²) followed by Sant Julià de Lòria (26,611 m²) in 2006.

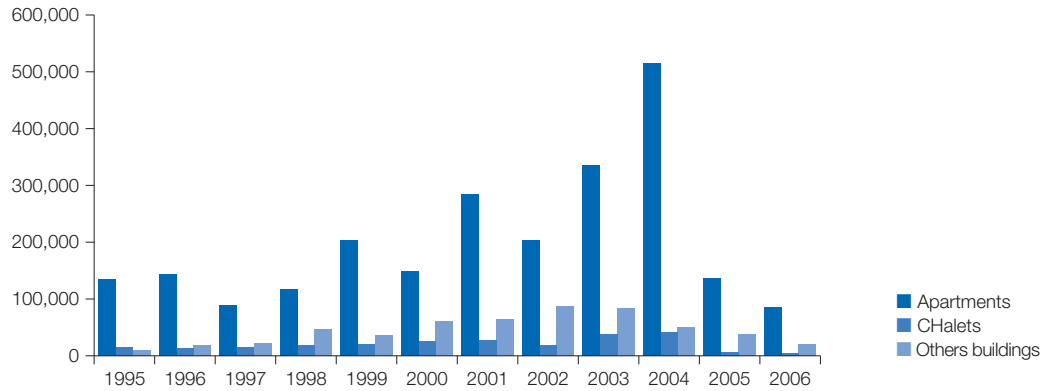
Square meters of land authorised for development 2006



Source: Monthly Gazette of the Andorran Government

The table below shows the number of square metres of land authorised for development by type of construction:

Surface area authorised for development, by type of construction. 1995-2006 (m²)



Source: Ministry of Town Planning and Territorial Ordinance

Other buildings such as offices, shops and hotels have lost importance compared to 2005 in detriment to apartments, which are up almost 1.67% as a percentage of the total number of square metres of land authorised for development on the prior period.

Tertiary sector: Services

The lack of raw materials and energy sources has forced the economy to look abroad, giving preference to service sectors, such as tourism, commerce, hotels and finance, in detriment to manufacturing industries.

The tertiary sector is the leading sector in the Andorran economy, employing an average of 34,409 wage-earners, representing approximately 80% of the total figure.

As illustrated below, during the 2005-2006 period the number of companies and wage earners in the sector has generally risen.

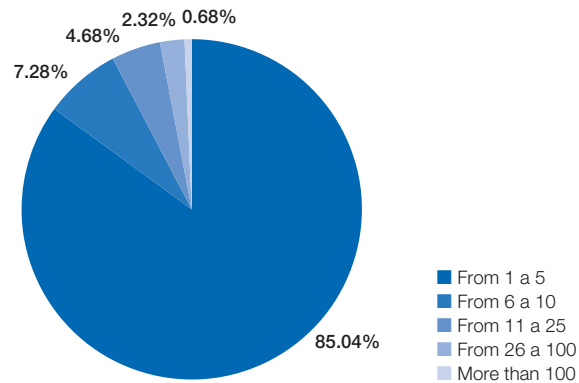
Number of companies and wage earners in the tertiary sector				
	2005	2006	% of total 2006	Var. (%) 05-06
Number of companies	7,448	7,743	100.00%	3.96%
Trading and repair of motor vehicles (...)	1,435	1,453	18.77%	1.25%
Hotel trade	698	696	8.99%	(0.29%)
Transport, warehousing and communications	190	190	2.45%	-
Financial system	70	121	1.56%	72.86%
Real estate and rental activities; corporate services	720	754	9.74%	4.72%
Other social activities and community services, personal services	340	348	4.49%	2.35%
Homes employing domestic service	3,076	3,340	43.14%	8.58%
Domestic services to the community (neighbours' associations)	491	523	6.75%	6.52%
Volunteers without activity	206	40	0.52%	(80.58%)
Extraterritorial bodies	5	5	0.06%	-
Public administration, obligatory social defence and security	29	44	0.57%	51.72%
Education	38	43	0.56%	13.16%
Health and veterinary activities, social services	150	186	2.40%	24.00%
Number of wage earners	33,661	34,409	100.00%	2.22%
Trading and repair of motor vehicles (...)	11,404	11,454	33.29%	0.44%
Hotel trade	5,648	5,670	16.48%	0.39%
Transport, warehousing and communications	1,271	1,295	3.76%	1.89%
Financial system	1,510	1,559	4.53%	3.25%
Real estate and rental activities; corporate services	3,757	4,147	12.05%	10.38%
Other social activities and community services, personal services	2,352	2,450	7.12%	4.17%
Homes employing domestic service	1,245	1,262	3.67%	1.37%
Domestic services to the community (neighbours' associations)	254	196	0.57%	(22.83%)
Volunteers without activity	269	29	0.08%	(89.22%)
Extraterritorial bodies	9	9	0.03%	-
Public administration, obligatory social defence and security	4,030	4,332	12.59%	7.49%
Education	610	632	1.84%	3.61%
Health and veterinary activities, social services	1,302	1,374	3.99%	5.53%

Font: Caixa Andorrana de Seguretat Social and Monthly Gazette of the Andorran Government

The tables above show that the tertiary sector mainly groups together commerce and tourism-related activities and services. However it also includes important activities such as public administration, liberal professions and the financial sector.

The business structure of the sector mainly comprises small companies. Therefore, 85.04% of the companies have 5 or less employees, whilst 2.32% have a headcount exceeding 25 and only 0.68% have more than 100 employees.

Distribution of service companies by number of wage earners 2006



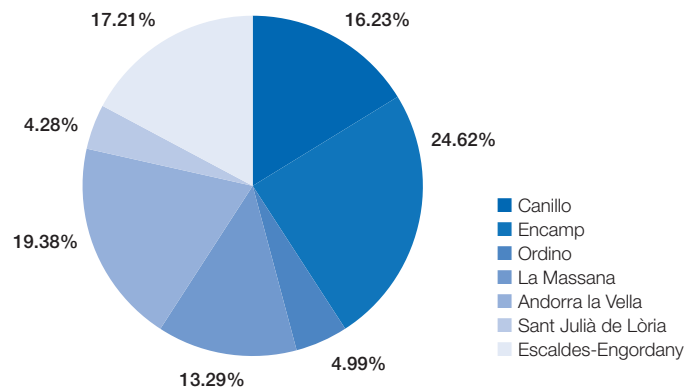
Source: Caixa Andorrana de Seguretat Social

Tourism

As already mentioned, commerce is one of the key activities of the Principality's economy, which complements and is directly related to tourism.

Hotel accommodation represents 68.03% of tourism-related activities for 2006, above hostels or residences, boarding houses, apart-hotels and holiday apartments. Andorra has 294 hotels with a total capacity for 38,957 beds, distributed throughout the parishes as shown on the pie chart below.

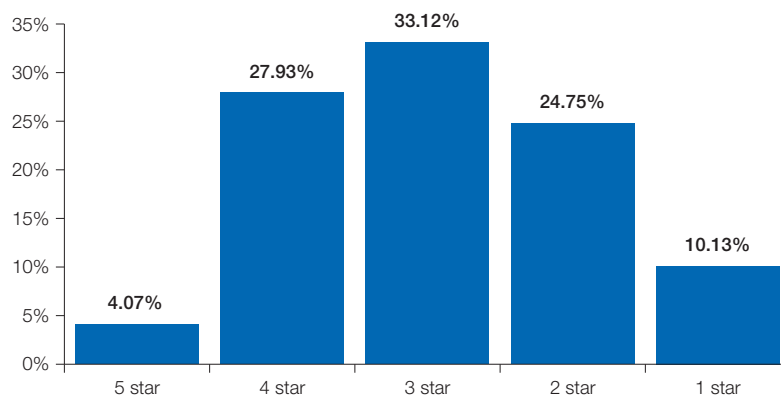
Distribution of hotel rooms per parish 2006



Source: Ministry of Tourism and Environment. Department of Tourism

The increase in hotel accommodation in recent years has arisen mainly in the higher quality segments in response to one of the Andorran tourism industry's main strategic aims, which is to attract top-quality tourism.

Distribution of hotel beds by category 2006



Source: Ministry of Tourism and Environment. Department of Tourism

One of the most relevant indicators used to evaluate the global dynamics of the tourism industry is the number of visitors to the country per year. The evolution of this indicator, shown below, clearly shows a drop in the number of visitors over the three-year period 2004-2006. This decline in the number of visitors staying the night and on day trips does not necessarily have to be construed as negative if it is compensated by an increase in quality.

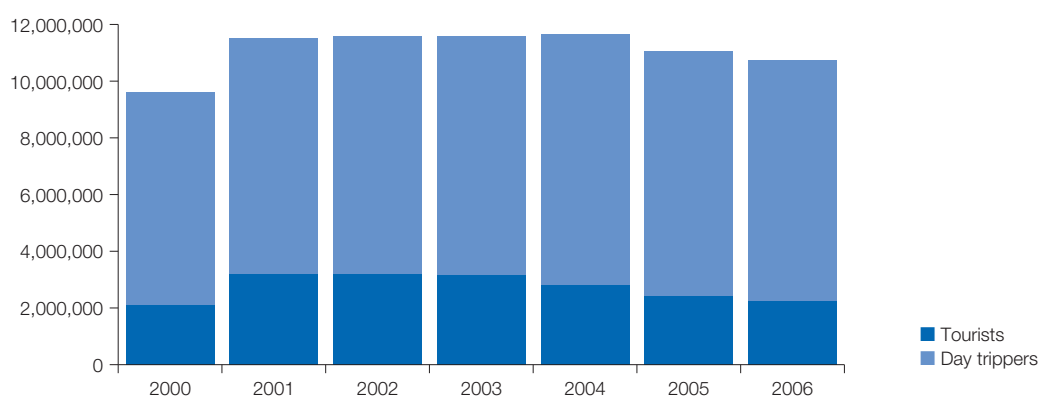
Number of visitors					
	2004	2005	2006	% of total 2006	Var. (%) 05-06
Total	11,668,460	11,049,490	10,736,722	100.00%	(2.83%)
Tourists ⁽¹⁾	2,791,116	2,418,409	2,226,922	20.74%	(7.92%)
Day-trippers ⁽²⁾	8,877,344	8,631,081	8,509,800	79.26%	(1.41%)
Entry border					
Sant Julià de Lòria	7,087,423	6,831,168	6,731,560	62.70%	(1.46%)
Pas de la Casa	4,581,037	4,218,322	4,005,162	37.30%	(5.05%)
Nationalities					
Spanish	6,558,158	6,321,568	6,237,954	58.01%	(1.32%)
French	4,760,823	4,397,195	4,190,719	39.03%	(4.70%)
Other nationalities	349,479	330,727	308,049	2.87%	(6.86%)

(1) Any visitor spending more than one day in the country
(2) Any visitor spending only one day in the country

Source: Monthly Gazette of the Andorran Government

As shown in the graph below, the number of visitors started to drop in 2005, although this figure has remained stable since 2001. This slight decrease has also caused a negligible imbalance in the proportion of day trippers with respect to tourists who stay the night in the country, with the most notable decline taking place in the tourist segment as opposed to day trippers.

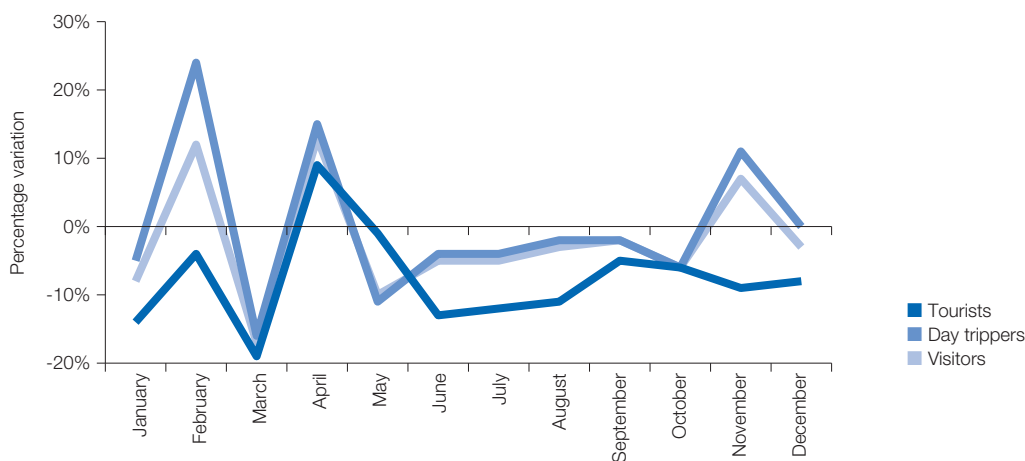
Evolution of the number of visitors 2000-2006



Source: Ministry of Tourism and Environment. Department of Tourism

The following graph shows the variation in the number of tourists and day trippers received monthly during the 2005-2006 period.

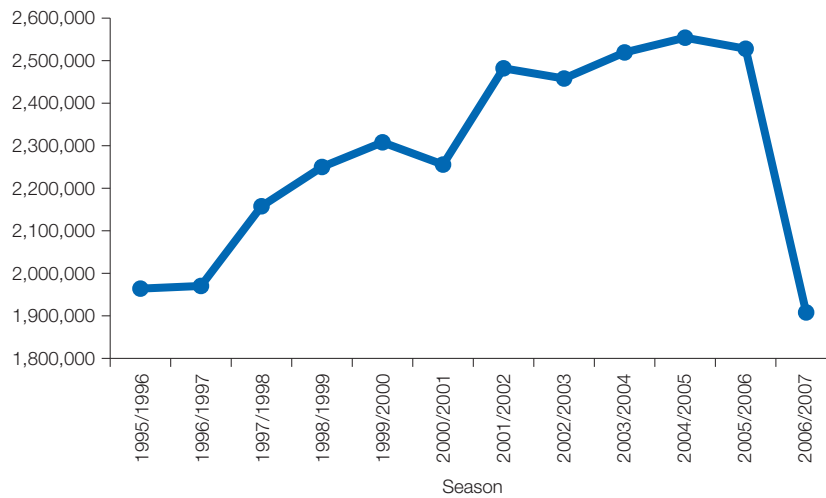
Variation in monthly visitors to Andorra 2006



Source: Monthly Gazette of the Andorran Government

Another of the significant variables for an economic analysis of the Andorran tourism industry is the total number of days of ski in the country's ski resorts. This concept makes reference to the number of days in which it has been possible to ski in each Andorran ski resort throughout the ski season. The last season (2006-07) has been significantly affected by high temperatures and the lack of snowfall (a phenomenon also taking place in other European ski resorts). This has impaired the quality of snow on the Principality's ski slopes, therefore affecting the number of winter tourists. Nevertheless, despite the adverse weather conditions, the Principality's ski resorts have only experienced a decline in business of 24%, whilst other ski resorts in the Pyrenees, which traditionally have been substitutes for Andorra, have experienced an even sharper drop in visitors. Days of ski in the previous season (2005-06) are down 1.02% compared to the 2004-05 season, despite the clear upturn over the past ten years, with normal weather conditions, with an accumulated increase of 28.72%, as can be observed in the graph below.

Evolution of total days of sky



Source: Ski Andorra

The Principality of Andorra has the largest skiable area in the Pyrenees and one of the most extensive in Europe, comprising five modernly equipped ski resorts totalling over 2,500 hectares.

In the 2003/2004 ski season, the Pas de la Casa-Grau Roig and Soldeu el Tarter resorts signed a commercial agreement joining them under the name of GRANDVALIRA. Although Andorra had the largest ski resort in the Pyrenees before this date, this agreement also means that it now has one of the most important resorts in Southern Europe.

Furthermore, starting from the 2004/2005 ski season, the Pal-Arinsal and Ordino-Arcalis ski resorts have joined for commercial purposes under the name of VALLNORD, enabling clients to use both resorts with a single ski pass.

The table below shows details of the skiing facilities available in the Principality, together with a summary of their main features:

Ski resort facilities 2006

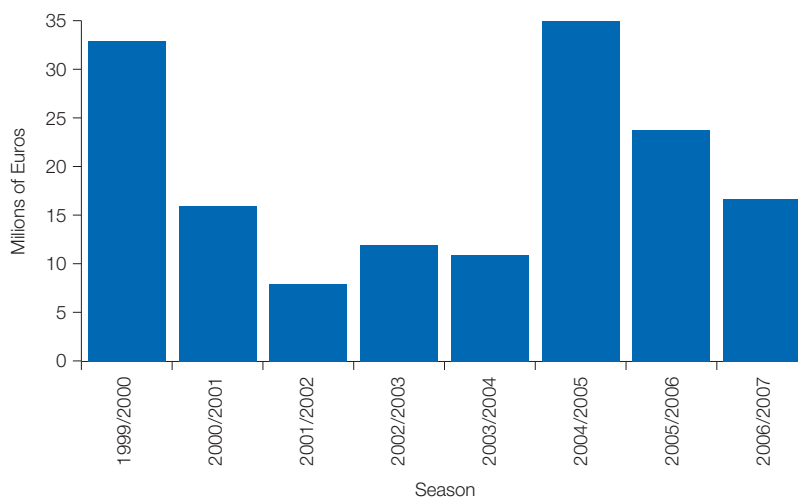
Resort	Km of slopes	Ski runs	Snow machines	Ski lifts	Skier capacity / per hour
Pal-Arinsal	63	42	300	30	35,700
Ordino-Arcalis	26	25	74	14	16,510
La Rabassa (*)	15	3	-	-	-
Pas de la Casa-Grau Roig/ Soldeu-El Tarter	193	110	1,008	66	100,700
TOTAL	297	180	1,382	110	152,910

(*) Cross country skiing

Source: Ski Andorra

The Andorran ski resorts have made large investments, especially in the 2004-2005 season. The Principality currently has unbeatable skiing facilities. Details of investments made in recent years are as follows:

Evolution of ski resort investments



Source: Ski Andorra

Commerce

The importance of tourism to the Andorran economy, as outlined below, means that those sectors of activity that are directly related to tourism, such as all commerce-related activities, have the most impact on the Principality's economy.

The significant reliance of Andorra's commercial sector on demand from abroad renders it a number of distinctive features compared to the same sector in other countries, in which internal demand is the main driving force behind commerce. The Andorran trade sector can be split into wholesale and retail trade. The reliance on imports, which are subsequently distributed, means that on many occasions the importers of such products also act as wholesalers and are the owners of wholesale businesses.

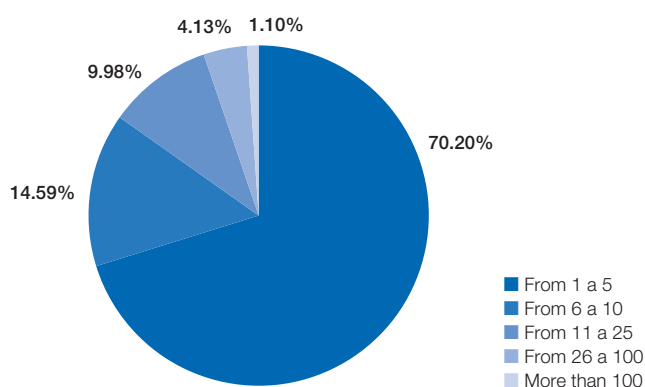
Commerce is one of Andorra's tourist attractions and has been one of the mainstays of the Andorran economy, not only due to the relevance of the total number of businesses and employees, but also because the tax on imports, borne by Andorran commerce and generally passed on to the end consumer, has been one of the Andorran State's principal sources of income to date. The sector comprises 16.70% of businesses and employs 26.08% of wage earners from the country's services sector. In 2006 the number of businesses rose slightly, despite the reduction in the number of wage earners.

Number of companies and wage earners				
	<u>2005</u>	<u>2006</u>	<u>% of total 2006</u>	<u>Var. (%) 05-06</u>
Number of companies	1,435	1,453	100.00%	1.25%
Number of wage earners	11,441	11,312	100.00%	(1.13%)
Sale, trading and repair of motor vehicles (...)	1,384	1,398	12.36%	1.01%
Wholesale trade and intermediaries, except for motor vehicles and motorcycles	2,359	2,418	21.38%	2.50%
Retail trade, except for motor vehicle trading (...)	7,698	7,496	66.27%	(2.62%)

Font: Caixa Andorrana de Seguretat Social and Monthly Gazette of the Andorran Government

The distribution of wage earners is concentrated mainly in small businesses. Approximately 70% of businesses have a headcount of 5 or less.

Distribution of commerces by numbers of wage earners 2006

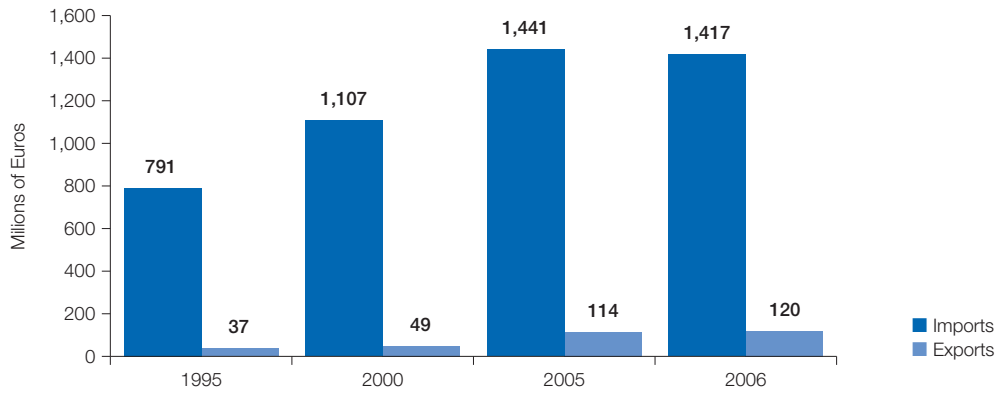


Source: Caixa Andorrana de Seguretat Social

A reliable indicator of the status of Andorran commerce is the evolution of imports and exports in recent years. The trade deficit has been an ongoing structural feature of the Andorran economy.

The slowdown in imports has led to an accumulated reduction of -1.7% for 2006, compared to 2005. This drop in imports is closely related to the evolution of the number of visitors to the Principality and therefore confirms the high dependence of Andorran commerce on tourists and demand from abroad.

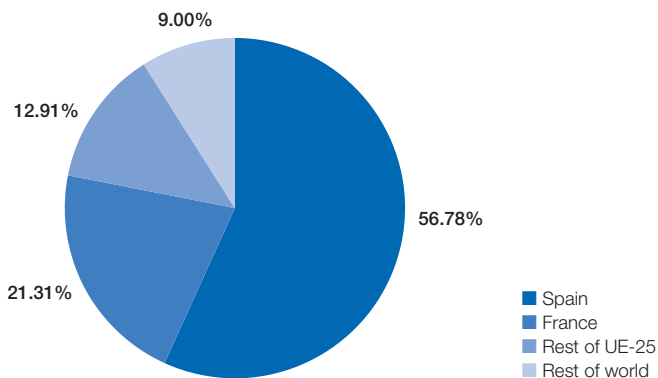
Evolution of imports and exports



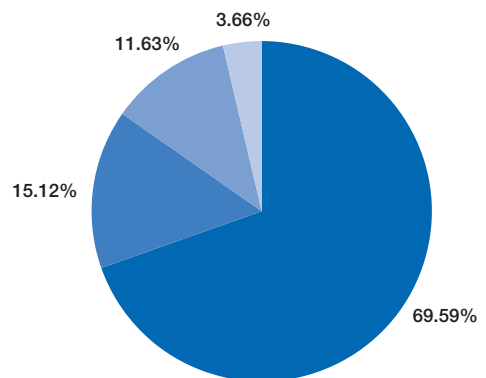
Source: Monthly Gazette of the Andorran Government

The pie charts below show the geographical distribution of imports and exports by country of origin or destination. The Principality mainly has trade agreements with Spain and France.

Geographical distribution of imports 2006



Geographical distribution of exports 2006



Source: Monthly Gazette of the Andorran Government

The following table shows imports and exports by product during 2006 and illustrates that the most significant imported and exported products are electrical appliances and vehicles.

Imports and exports per product in 2006				
(Millions of Euros)				
	<u>Imports</u>	<u>% of total</u>	<u>Exports</u>	<u>% of total</u>
Electrical appliances	165	11.65%	15	12.50%
Vehicles, cars, tractors, bicycles	146	10.31%	18	15.00%
Clothes and accessories, not knitting	79	5.58%	2	1.67%
Perfumes and cosmetics	96	6.78%	4	3.33%
Boilers, machines, mechanical appliances and machines	84	5.93%	7	5.83%
Beverages, alcohol and vinegars	58	4.10%	-	-
Fuels and mineral oils, bituminous material	84	5.93%	-	-
Optical, photography, cinematographic, measuring equipment, (...)	26	1.84%	8	6.67%
Tobacco	18	1.27%	-	-
Furniture and lighting	40	2.82%	2	1.67%
Toys, sports equipment	33	2.33%	-	-
Footwear	29	2.05%	1	0.83%
Milk and lactic products, eggs, honey	26	1.84%	-	-
Pearls, stones, precious metals, dress jewellery, coins	13	0.92%	1	0.83%
Meats and small eatable	26	1.84%	-	-
Sugar and sweetened articles	35	2.47%	35	29.17%
Clothes and accessories, knitting	37	2.61%	1	0.83%
Iron, smelting or steel products	31	2.19%	2	1.67%
Others	390	27.54%	24	20.00%
TOTAL	1,416	100.00%	120	100.00%

Source: Monthly Gazette of the Andorran Government

Financial sector

The Andorran financial sector is one of the mainstays of activity in the Andorran economy, with its nucleus being the banking system. Insurance companies, other asset management entities, investment management entities and specialised credit entities also operate in the Principality.

The Andorran National Institute of Finance (INAF) created in 1989 is the supervisor of the Andorran financial system, except for the supervision of the insurance companies not comprised within a banking group, which are currently supervised by the Ministry of Finance of the Andorran Government.

The financial system comprises 5 banking groups, 1 specialised credit entity, 9 asset management entities, 5 investment management companies and 34 insurance companies, 18 of which are branches of foreign insurance companies authorised to operate in the Principality.

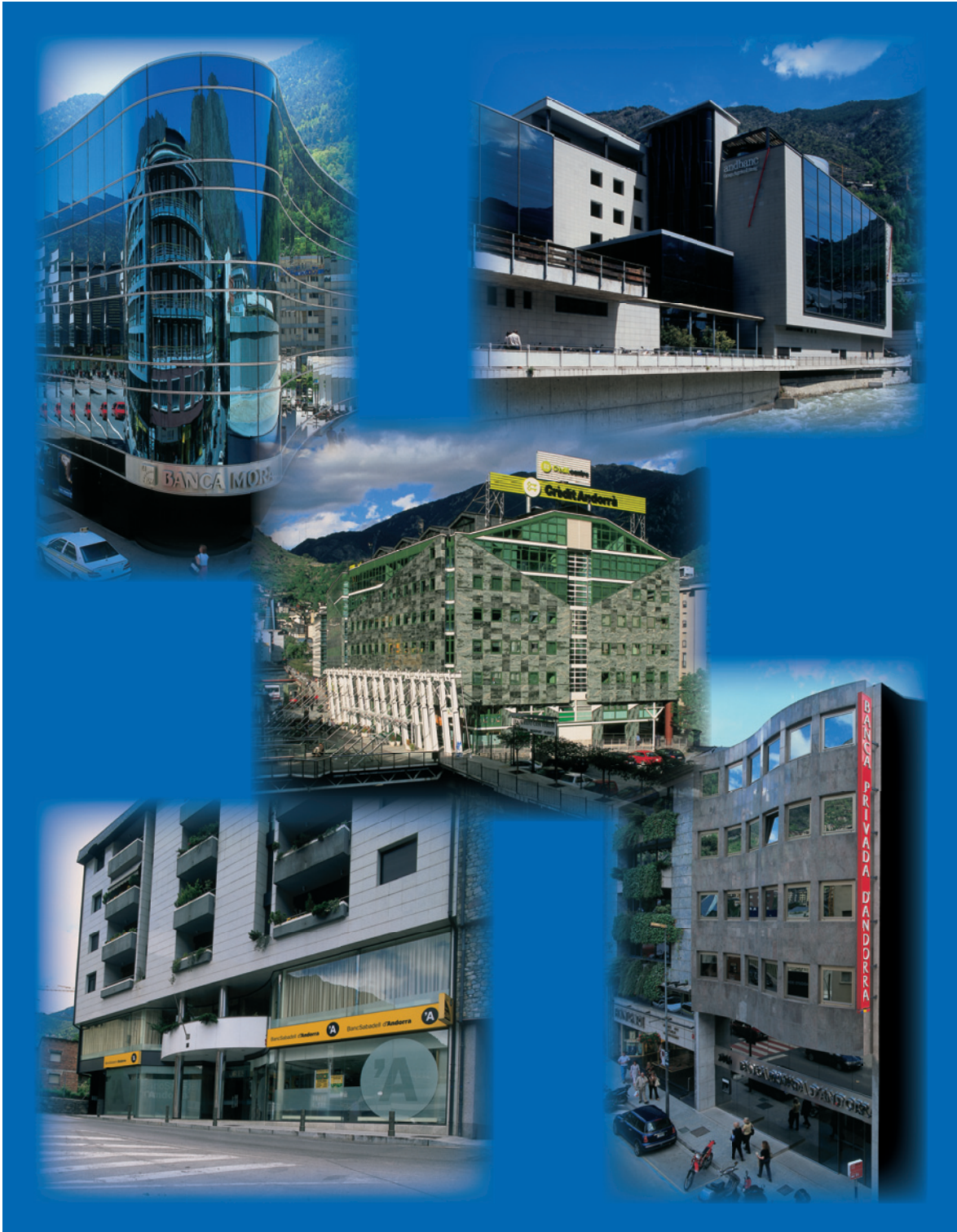
Number of wage earners				
	<u>2005</u>	<u>2006</u>	<u>% of total</u>	<u>Var. (%) 05-06</u>
Number of wage earners	1,510	1,559	100.00%	3.25%
Financial activities, except for insurance activities	1,256	1,290	82.75%	2.71%
Insurance activities, except for obligatory Social Security	253	268	17.19%	5.93%
Auxiliar financial activities	1	1	0.06%	-

Source: Caixa Andorrana de Seguretat Social, Study Service of the Andorran Government - Ministry of Finance and Association of Andorran Banks

The Andorran banking system is characterised by its high capital adequacy ratio compared to other financial markets, due to a strong policy of capitalisation right from the onset. The Andorran banking sector has historically maintained high capital adequacy and liquidity ratios in order to ensure the stability and solvency of the Andorran financial system.

Due to its particularities and being the main topic of this publication, these features are dealt with in section "IV. Banking sector".

IV. BANKING SECTOR



IV. BANKING SECTOR

IV.1. INTRODUCTION

The Andorran financial system is one of the mainstays of the Andorran economy and is characterised by its solid financial reputation as a result of the strict and rigorous application of the international standards regulating it. Furthermore, the Andorran financial system, which is mainly focused on banking, is characterised by the high capital adequacy ratios of its banking system compared to other financial markets, thanks to the strong capitalisation policy implemented since its creation.

The Andorran banking sector comprises a total of five banking groups and has more than 75 years experience in this activity. The banking entities in Andorra render banking services (retail and private banking), asset management, brokering and insurance services.

This sector employs highly qualified personnel and operates within a politically and socially stable environment, in a country with more than 700 years of history, tradition and dynamism and is regulated by the Andorran National Institute of Finance Law dated 23 October 2003. In addition, the Money Laundering Prevention Unit (UPB) created in 2000 is an independent body, the aim of which is to promote money laundering prevention measures.

The year 2006 has ended with aggregate profit of approximately Euros 337 million, 18.28% up on profit of 2005 (2004 vs. 2005: +5.16%). This increase has been accompanied, among other factors, by strong growth in loans (17.93% in 2006) motivated by significant real estate investments during 2006, despite the slowdown currently being experienced, and by the rise in customer deposits compared to securities deposited and others held in custody, mainly due to the increase in interest rates.

It should also be highlighted that since 2005 the European Union Agreement regarding the withholding of EU tax on savings of EU nationals who are customers of Andorran banks has meant that, as in the rest of Europe, these clients have been forced to search for alternative products, therefore increasing the importance of the life insurance sector.

IV.2. ASSOCIATION OF ANDORRAN BANKS ("ASSOCIACIÓ DE BANCS ANDORRANS")

The Association of Andorran Banks (ABA) was founded on 11 November 1960 and was formalised in a document which included the commitment to hold a series of monthly meetings which have taken place over the past years up until 17 November 1993.

On this date the Andorran Government authorised that Banc Agrícol i Comercial d'Andorra, SA and Banca Reig, SA (now merged into Andorra Banc Agrícol Reig, SA Group); Banc Internacional d'Andorra, SA; Banca Cassany, SA (now called Banca Privada d'Andorra, SA); Banca Mora, SA; Crèdit Andorrà, SA; Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" (later called CaixaBank, SA and currently merged into the Crèdit Andorrà, SA Group) could set up an association with its own legal status in accordance with Decree nº 40/A/93. The statutory activity of this association is to represent the collective interests of credit establishments, particularly in relation to the public administration; to provide information to its members and the general public; to undertake studies on any matter of common interest, on its own initiative or upon request from the Andorran Government; to draft and propose appropriate recommendations for the banking profession; to cooperate between different credit entities and to create, organise and manage services of common interest. In 2000 it was agreed that BancSabadell d'Andorra, SA would join the ABA.

The framework of self-regulation of the banking system through the ABA, includes an agreement dated 9 April 1990, which addresses the diligence obligation of the banking and savings institutions in Andorra.

The main pacts included in this agreement are as follows:

- Application of the criteria established by the Basel Committee on banking regulations and supervisory practices, known as the Cooke Committee.
- The obligation to submit financial statements for review by independent external auditors and to file these financial statements with the relevant public authority.
- The obligation to ensure that the identities of the clients are accurately verified.
- The maintenance of the banks' code of secrecy, including the obligation of ensuring that the financial system is not used for laundering capital originating from serious criminal offences under the provisions of Andorran Law.
- The setting up of a commission to supervise the application of the pacts of this agreement.

The ABA currently continues to represent the interests of all its members and at the same time guaranteeing best banking practice and corporate image within the Andorran financial market.

ABA's organisational structure is formed of a chairman and a vice-chairman, posts which are rotated every year amongst the members of a permanent management body comprising a general manager and deputy manager.

It should also be highlighted that various commissions (formed of members from the different Andorran banks) meet regularly with the ABA to ensure best banking practice. These commissions deal with current matters relating to the sector such as the indirect tax on services rendered (ISI), the Internal Revenue Service (IRS), prevention of money laundering, compliance and legal issues, tax on savings, the Data Protection Act, methods of payment, International Financial Reporting Standards and other issues of interest.

IV.3. THE BANKING SECTOR

The Andorran banking system is based on a universal banking model, including specialised banking services. Andorran banks offer a complete range of banking services, including credit operations, investment management and financial advisory services, liability operations, financial analysis and other services (credit cards, transfers etc.).

Andorran banks have branches specialised in financing, insurance and asset management. Some of these entities have foreign branches located in countries such as Switzerland, Luxembourg, the Bahamas, Uruguay, Mexico and Panama.

The most significant aggregate data for Andorran banking is as follows:

(Thousands of Euros)	2005	2006
Total assets	9,994,910	11,641,559
Loans	4,804,236	5,665,591
Assets under management	25,738,917	28,501,639
Profit	285,129	337,262
<hr/>		
ROE	21.26%	25.46%
ROA	2.70%	2.85%
Efficiency ratio	38.09%	36.25%
Capital adequacy ratio	23.65%	20.96%
Default ratio	0.52%	0.50%
Liquidity ratio	59.97%	62.57%

Source: Annual reports of banking entities

The Andorran banking system is made up of 5 banking groups which include the following 6 banking entities:

■ Andorra Banc Agrícola Reig, SA

As a result of the merger in August 2001 between *Banc Agrícola i Comercial d'Andorra, SA* (founded in 1930) and *Banca Reig, SA* (founded in 1956) the Andorra Banc Agrícola Reig, SA Group was founded. On 10 May 2002 this bank changed its business name to *Andbanc*. In this publication the bank appears as *Andbanc*.

■ Banc Internacional d'Andorra, SA

This bank was incorporated in 1958 as *Banca Coma*. In 1970 its name was changed to *Banc Internacional d'Andorra, SA*.

■ Banca Mora, SA

Incorporated in 1952.

Banc Internacional d'Andorra, SA and Banca Mora, SA operate jointly and file consolidated financial statements and other data. On 9 March 2006 the Mora family acquired a 51% interest in the capital of Banc Internacional d'Andorra, SA through the purchase of shares from BBVA. These two banks are known as *BIBM* in this publication.

■ Banca Privada d'Andorra, SA

Incorporated in 1958 as *Banca Cassany*. In 1994 its name was changed to *Banca Privada d'Andorra, SA*. This bank appears as *BPA* in this publication.

■ Crèdit Andorrà Group, SA

Incorporated in 1949 and on 31 July 2005 it acquired 100% of *CaixaBank SA* (incorporated on 1 August 1997, the statutory activity of which is to continue with the financial activity of the five branches from Caixa d'Estalvis i Pensions de Barcelona ("la Caixa") in the Principality, where it had operated since 1935). In this publication, consolidated data is presented for these two entities under the name of Crèdit Andorrà Group.

On 15 September 2006 "la Caixa" agreed to sell its 46.35% interest in Crèdit Andorrà to other principal shareholders of this Andorran entity.

■ BancSabadell d'Andorra, SA

Incorporated in June 2000. This bank appears as BancSabadell d'Andorra in this publication.

The aforementioned banking entities operate in all the main urban areas of the country through an extensive network of branches. The branches providing banking services in the Principality, together with the number of cash dispensers and employees in the sector at 31 December 2006 and 2005 are shown below:

	Number of branches		Number of employees		Number of cash dispensers	
	2005	2006	2005	2006	2005	2006
ANDBANC	13	13	283	308	32	31
BIBM	10	11	242	255	26	33
BPA	5	5	169	188	18	17
CRÈDIT ANDORRÀ GROUP	24	21	411	392	47	42
BANCSABADELL D'ANDORRA	4	5	75	86	11	15
TOTAL	56	55	1,180	1,229	134	138

Source: Association of Andorran Banks

There are 55 branches, distributed between the seven parishes of the Principality. In 2006 the number of employees has increased 4.15%, ie. 49 workers.

Aggregate consolidated balance sheets of Andorran banks

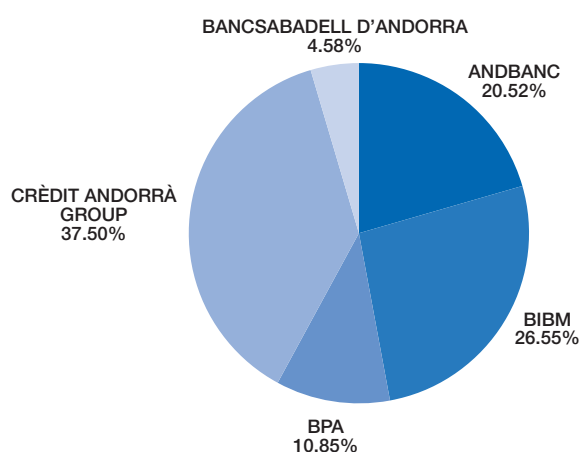
Details of the aggregate consolidated balance sheets of Andorran banking entities for 2005 and 2006 are as follows:

(Thousands of Euros)					
	2005	% of total	2006	% of total	Var. (%) 05-06
ASSETS					
Cash and central banks OECD	65,836	0.66%	81,762	0.70%	24.19%
INAF	110,033	1.10%	108,204	0.93%	(1.66%)
Financial intermediaries	2,757,680	27.59%	3,162,636	27.17%	14.68%
Loans	4,975,940	49.78%	6,063,784	52.09%	21.86%
Securities portfolio	1,432,185	14.33%	1,531,930	13.16%	6.96%
Gains on consolidation	176,101	1.76%	156,534	1.34%	(11.11%)
Intangible assets	33,017	0.33%	36,195	0.31%	9.63%
Tangible assets	286,151	2.86%	297,929	2.56%	4.12%
Prepayment and accrued receivables	73,811	0.74%	103,931	0.89%	40.81%
Other assets	84,156	0.84%	98,654	0.85%	17.23%
TOTAL ASSETS	9,994,910	100.00%	11,641,559	100.00%	16.47%
LIABILITIES					
INAF	156,252	1.56%	164,566	1.41%	5.32%
Due to banks and credit entities	673,489	6.74%	796,223	6.84%	18.22%
Other financial intermediaries	1,713	0.02%	387	-	-
Customer deposits	7,308,867	73.13%	8,827,800	75.83%	20.78%
Debts represented by securities	47,945	0.48%	14,318	0.12%	(70.14%)
Provision for liabilities and charges	76,760	0.77%	78,811	0.68%	2.67%
Provision for general risks	67,725	0.68%	73,171	0.63%	8.04%
Subordinated liabilities	101,572	1.02%	210,000	1.80%	106.75%
Accruals	63,543	0.64%	89,583	0.77%	40.98%
Other liabilities	95,097	0.95%	84,371	0.72%	(11.28%)
Share capital	243,536	2.44%	243,536	2.09%	-
Reserves	958,218	9.59%	881,314	7.57%	(8.03%)
Profit	285,129	2.85%	337,262	2.90%	18.28%
Prior years' result	(3,910)	(0.04%)	(903)	(0.01%)	(76.91%)
Interim dividends	(81,331)	(0.81%)	(159,123)	(1.37%)	95.65%
Minority interest	305	-	243	-	-
TOTAL LIABILITIES	9,994,910	100.00%	11,641,559	100.00%	16.47%

Source: Annual reports of banking entities

The consolidated balance sheets of each banking group can be found in chapter "V. Information of Interest".

Distribution of aggregate assets and liabilities by banking entity 2006



Source: Annual reports of banking entities

Aggregate assets

In 2000, the INAF issued a statement giving banks the opportunity of reclassifying the “Due from banks, term deposits” and “Other financial intermediaries, term deposits” captions as a single caption: “Financial intermediaries – sight and term deposits” in order to comply with international accounting standards. Half of the banking entities have adopted this option, whilst the other half have classified “Due from banks and other financial intermediaries, term deposits” under the “Loans” caption, as stipulated by the Chart of Accounts for 2000.

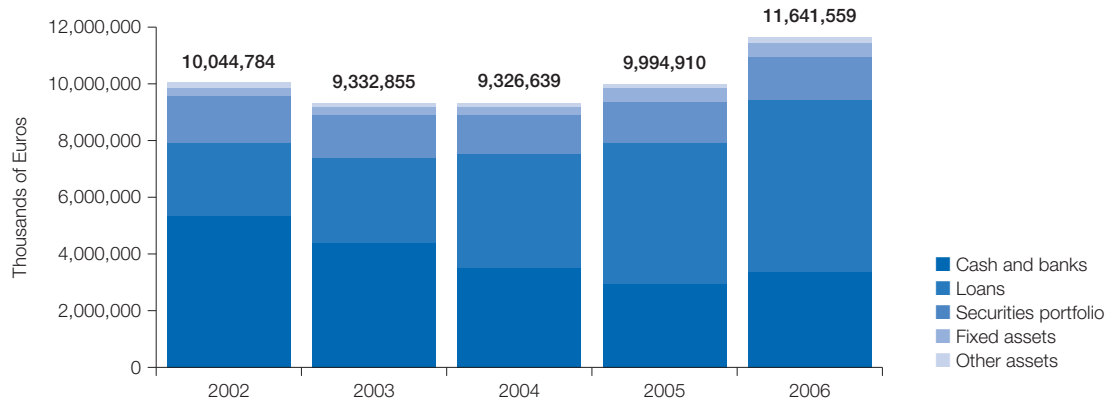
The composition of aggregate assets as a percentage of the total figure has hardly varied since 2005. The sharp rise in the aggregate balance sheet has mainly been caused by a significant increase in the “Loans” caption.

The trend towards change in the composition of the aggregate assets of financial entities, started in 2004, has continued in 2006. The “Loans” caption is up 21.86% (2004 vs. 2005: +24.72%). Nevertheless, after having unified the criteria stipulated by the aforementioned international standards, and so that balances can be compared, the “Loans to customers” caption has risen by 17.93%, at a lower rate than in 2005 (2004 vs. 2005: +26.06%), possibly due to the increase in interest rates during 2006. However, despite the significant growth in this caption, the financial entities have kept loan losses at considerably low levels.

On the other hand, the declining trend of recent years in the “Financial intermediaries” caption has reversed, registering a 14.68% rise with regard to 2005. However, this caption has maintained its importance as it continues to represent 27.17% of total assets. It should be noted that “Gains on consolidation” have arisen as a result of Crèdit Andorra’s purchase of CaixaBank on 21 July 2005. This caption is included under “Fixed assets” in the comparative charts and graphs.

The graph below shows the evolution of aggregate assets over the last five years. During this period a recovery can be observed in the “Cash in hand and at banks” caption (including the Cash and central banks of the OECD, INAF and Financial intermediaries items). In addition, the decline in total aggregate assets observed in the 2002-2004 period has been reversed in 2005 partly due to a recovery in the “Securities Portfolio” caption and the continued growth in “Loans”. Growth of 16.47% in aggregate assets can be confirmed in 2006 (2004 vs. 2005: + 7.17%).

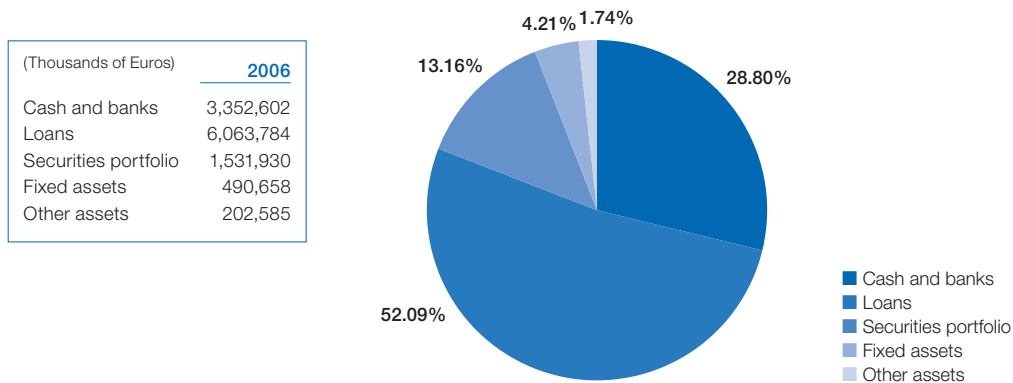
Evolution of aggregate assets 2002-2006



Source: Annual reports of banking entities

The structure of the aggregate assets for 2006 is shown in the pie chart below:

Estructure of aggregate assets 2006



(Thousands of Euros)		2006
Cash and banks		3,352,602
Loans		6,063,784
Securities portfolio		1,531,930
Fixed assets		490,658
Other assets		202,585

Source: Annual reports of banking entities

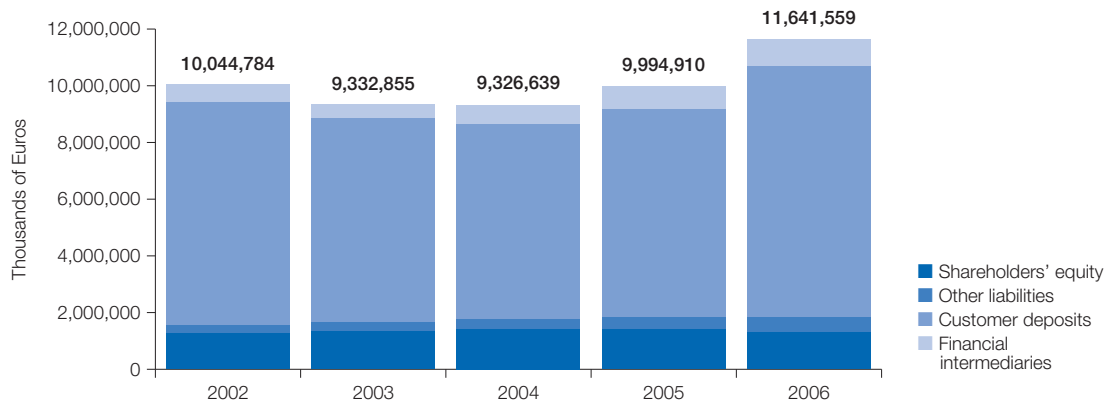
Details of the items forming part of the captions included in the above graphs are as follows:

- Cash and central banks include deposits in savings banks, OECD central banks, the INAF and financial intermediaries.
- Loans include loans and credits to customers, account overdrafts and notes.
- The most important items recorded under Securities portfolio are bonds and other fixed interest securities, investments in group companies and investment bodies.
- Fixed assets comprise the tangible and intangible assets and positive consolidation differences.
- Other assets include other assets and prepayments and accrued receivables.

Aggregate liabilities

As in previous years, the most significant item in aggregate liabilities is “Customer deposits” (which include both interbank and customer deposits), showing an increase of Euros 1,518 million, 20.78% up on the figure for 2005, which registered growth of 5.81%.

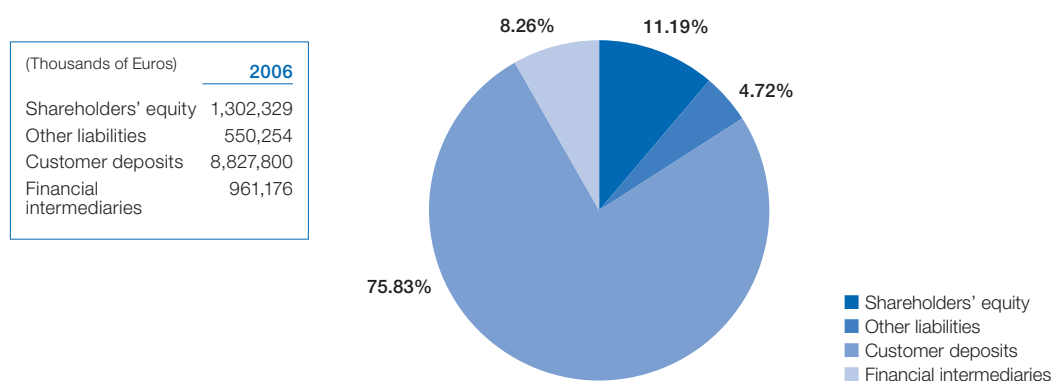
Evolution of aggregate liabilities 2002-2006



Source: Annual reports of banking entities

The following pie chart illustrates that “Customer deposits” represent the most significant part (75.83%) of aggregate liabilities. “Shareholders’ equity” makes up 11.19%, whilst the remaining liabilities are formed mainly of “Financial intermediaries” (8.26%) and “Other liabilities” (4.72%).

Structure of aggregate liabilities 2006



Source: Annual reports of banking entities

Details of the items forming part of the captions included in the above graphs are as follows:

- Shareholders' equity includes share capital, reserves, results, interim dividends and minority interest (where applicable).
- Other liabilities include provisions, accruals and debts represented by securities.
- Customer deposits is the largest liability caption.
- Financial intermediaries include deposits from the INAF, banks and credit entities.

Loans

Loans are up 17.93% on 2005 (2004 vs. 2005: +26.06%), confirming the trend towards an increase in this caption in recent years.

It should be taken into consideration that the following data (which is unified in accordance with international standards) does not include the "Provision for loan losses" (as mentioned previously).

Evolution of loans

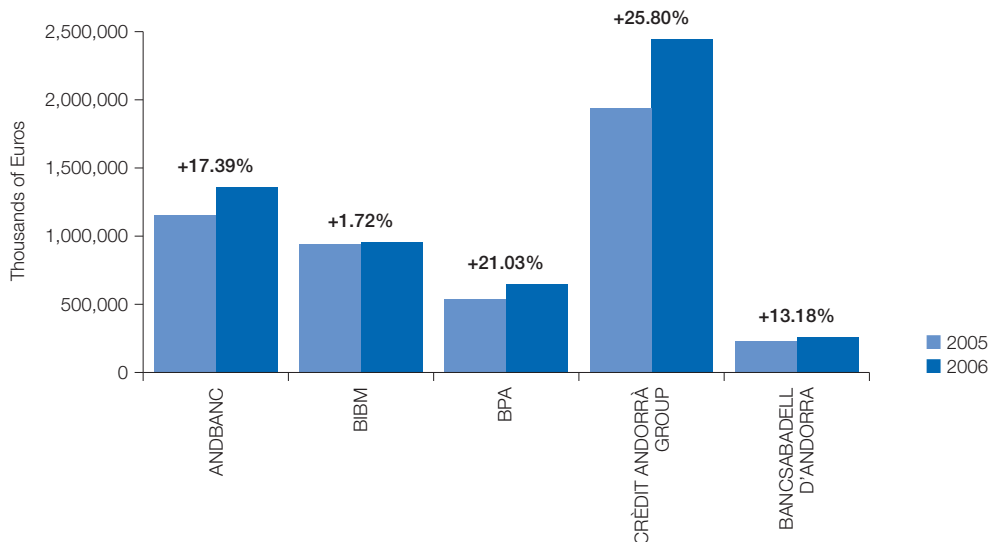
(Thousands of Euros)

	2005		2006		Var. (%) 05-06
	Loans	% of total	Loans	% of total	
ANDBANC	1,157,037	24.08%	1,358,273	23.97%	17.39%
BIBM	940,735	19.58%	956,899	16.89%	1.72%
BPA	535,881	11.16%	648,550	11.45%	21.03%
CRÈDIT ANDORRÀ GROUP	1,942,398	40.43%	2,443,606	43.13%	25.80%
BANCSABADELL D'ANDORRA	228,185	4.75%	258,263	4.56%	13.18%
TOTAL	4,804,236	100.00%	5,665,591	100.00%	17.93%

Source: Annual reports of banking entities

The graph below shows the evolution of loans during the last two years. During this period, it can be observed that the Crèdit Andorrà Group is the banking entity which has shown most growth in absolute terms (Euros 501,208 thousand), followed by Andbanc (Euros 201,236 thousand), representing increases of 25.80% and 17.39% compared to 2005, respectively.

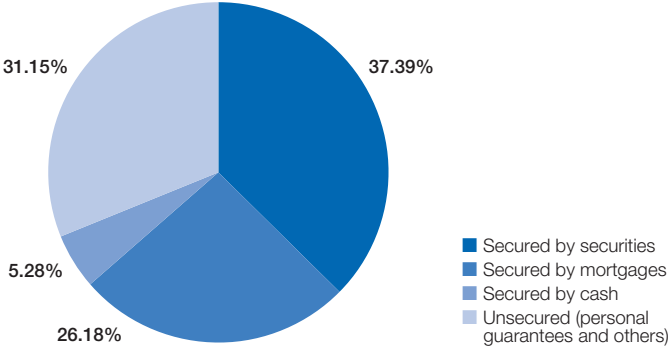
Evolution of loans 2005-2006



Source: Annual reports of banking entities

The “Loans” caption represents 52.09% of total aggregate assets, mainly comprising loans and credits to customers. One of the reliable indicators used to measure the quality of these assets are the guarantees obtained on these loans or credits and the risk scenario. Total collateralised loans represent 68.85%. As shown in the pie chart below 37.39% of these loans are secured by securities, 26.18% by mortgages and 5.28% by cash guarantees. 99.36% of loans have a risk rating of “Normal”, 0.26% are “Past-due” and 0.38% are classed as “Doubtful”.

Loans guarantees 2006



Source: Annual reports of banking entities

Customer deposits

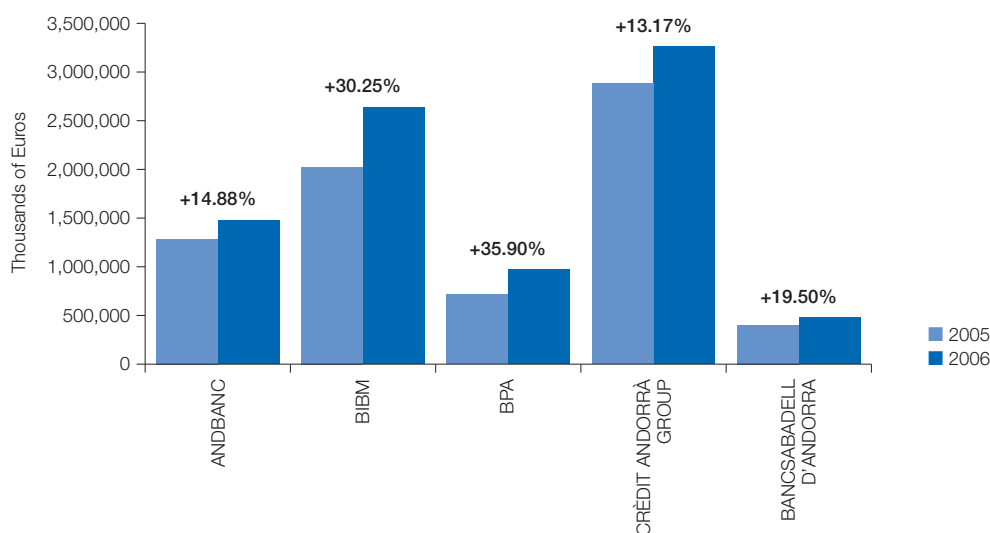
The rise in interest rates this year has boosted growth in customer deposits, which are up 20.78% on 2005 (2004 vs. 2005: +5.81%). Although accumulated growth since 2002 stands at 12.32%, the general trend in recent years could have reversed with part of customer balances being transferred to other intermediated funds (under the “Securities deposited and others held in custody” caption of the aggregate memorandum accounts).

	2005		2006		Var. (%) 05-06
	Customer deposits	% of total	Customer deposits	% of total	
	ANDBANC	1,285,934	17.59%	1,477,253	
BIBM	2,025,459	27.71%	2,638,223	29.89%	30.25%
BPA	716,817	9.81%	974,173	11.04%	35.90%
CRÈDIT ANDORRÀ GROUP	2,879,458	39.40%	3,258,707	36.91%	13.17%
BANCSABADELL D'ANDORRA	401,199	5.49%	479,444	5.43%	19.50%
TOTAL	7,308,867	100.00%	8,827,800	100.00%	20.78%

Source: Annual reports of banking entities

The graph below shows the evolution of customer deposits over the last two years. It can be observed that BIBM is the banking entity with most growth in absolute terms (Euros 612,764 thousand), followed by Crèdit Andorrà Group (Euros 379,249 thousand), representing rises of 30.25% and 13.17% compared to 2005, respectively. Furthermore, growth experienced by BPA is also significant in relative terms.

Evolution of customer deposits 2005-2006



Source: Annual reports of banking entities

Loans to customer deposits ratio

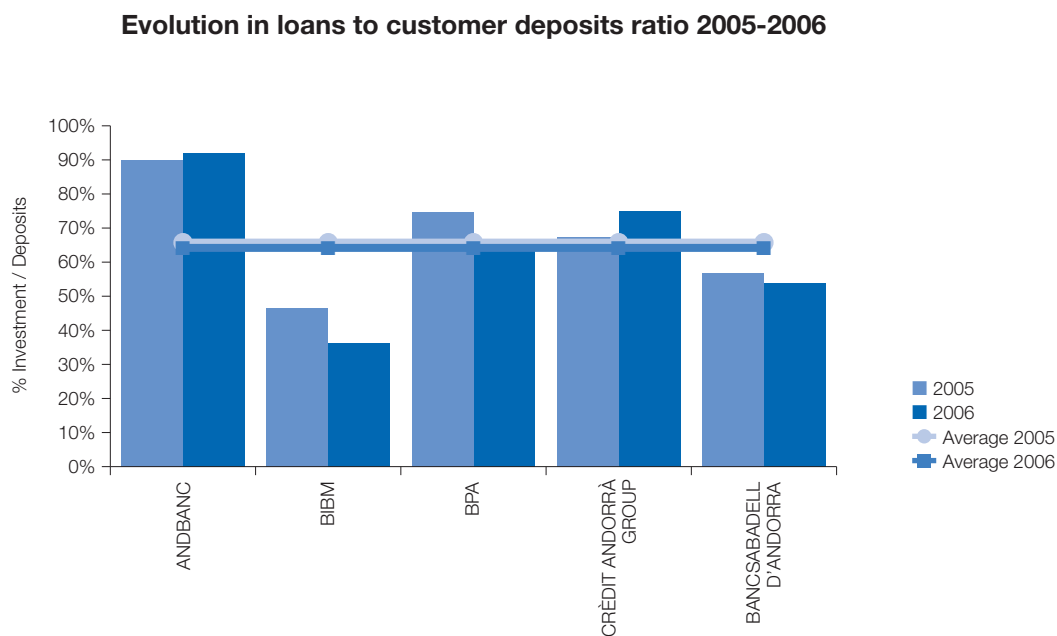
The following chart shows the evolution of the loans to customer deposits ratio for the different Andorran banking entities:

Evolution in loans to customer deposits ratio		
	2005	2006
ANDBANC	89.98%	91.95%
BIBM	46.45%	36.27%
BPA	74.76%	66.57%
CRÈDIT ANDORRÀ GROUP	67.46%	74.99%
BANCSABADELL D'ANDORRA	56.88%	53.87%
AVERAGE	65.73%	64.18%

Source: Annual reports of banking entities

This ratio has been calculated after unifying international standards to ensure the comparability of balances.

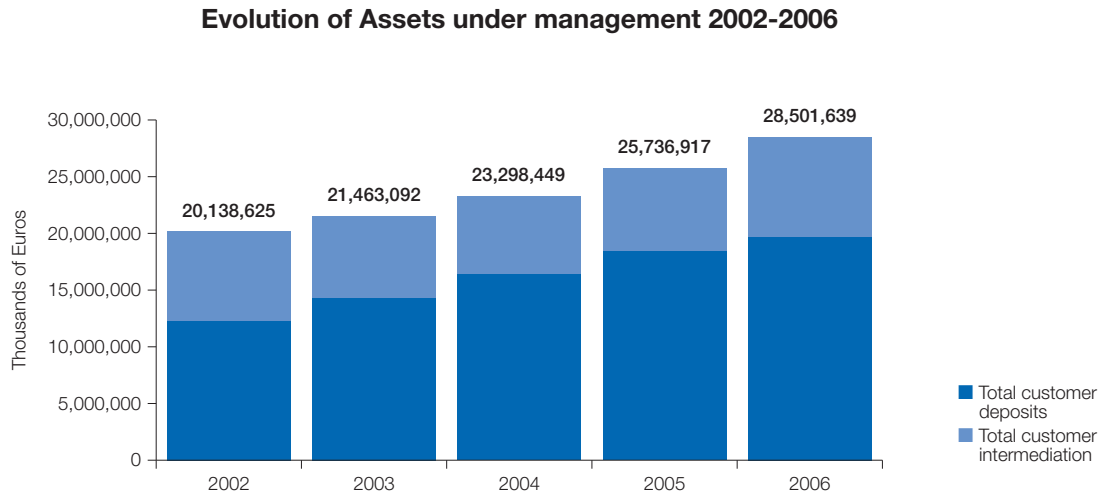
The aggregate ratio is down 1.55 percentage points compared to the previous year, as a result of less significant growth in loans during 2006. Andbanc and the Crèdit Andorrà Group have the highest ratios, registering a notable rise compared to the previous year due to the marketing policy carried out on retail banking.



Aggregate assets under management

Aggregate assets under management by banking entities (including customer deposits and customer intermediation) have registered accumulated growth of 41.53% over the last four years.

The graph below shows the moderate growth in disintermediation in the last period and a considerable increase in customer deposits due to the rise in interest rates.



Source: Annual reports of banking entities

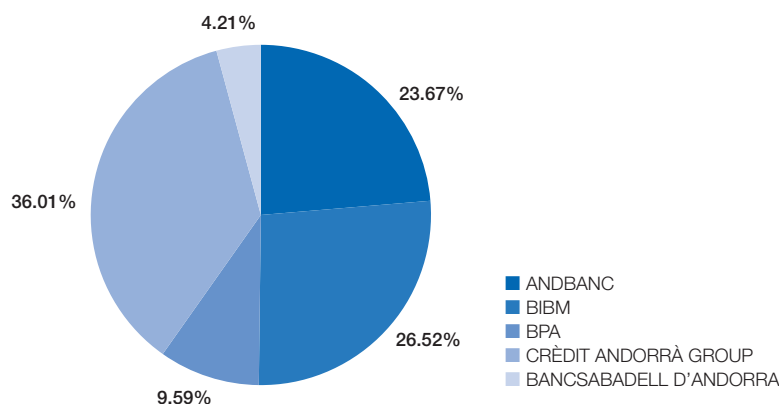
The Andorran financial system has undergone significant changes in the last five years. The drop in interest rates firstly transferred deposits to financial products with high added value, such as off-balance sheet products, leading to a rise in memorandum account items.

Subsequently, since 2005 the European Union Agreement regarding the withholding of European Union tax on the savings of European Union nationals who are customers of Andorran banks has meant that, as in the rest of Europe, these customers were forced to search for alternative products, therefore increasing the importance of the life insurance sector.

In addition, within a scenario of rising interest rates, higher growth in customer deposits has been observed, especially since 2006, compared to securities deposited and others held in custody.

The distribution of aggregate funds managed by banking entity during 2006 is as follows:

Assets under management by entity 2006



Source: Annual reports of banking entities

Aggregate consolidated memorandum accounts of Andorran banks

Details of the aggregate memorandum accounts of Andorran banks for 2005 and 2006 are as follows:

(Thousands of Euros)	2005	% of total	2006	% of total	Var. (%) 05-06
Contingent liabilities	590,321	1.65%	587,591	1.57%	(0.46%)
Commitments and contingent risks	1,408,926	3.94%	1,556,272	4.16%	10.46%
Futures operations	10,785,527	30.18%	10,211,644	27.29%	(5.32%)
Securities deposited and others held in custody	19,566,859	54.75%	20,602,339	55.05%	5.29%
Other memorandum accounts	3,387,709	9.48%	4,466,158	11.93%	31.83%
TOTAL	35,739,342	100.00%	37,424,004	100.00%	4.71%

Source: Annual reports of banking entities

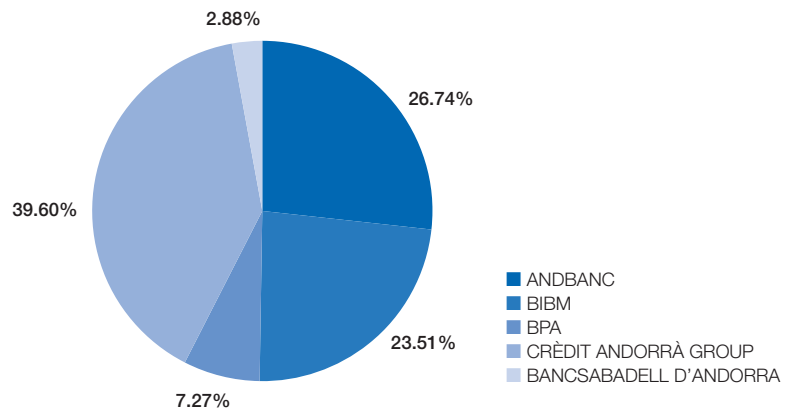
Chapter "V. Information of interest" shows the consolidated memorandum accounts of each banking group.

During 2006 aggregate memorandum accounts are up 4.71% (2004 vs. 2005: +27.10%), totalling Euros 37,424 million. The largest caption, "Securities deposited and others held in custody", representing 55.05% of the total is up 5.29% on the previous year (2004 vs. 2005: + 16.23%). On the contrary, although the "Futures operations" caption has dropped by 5.32% compared to 2005, it still maintains its importance, as it continues to represent more than 27.00% of total memorandum accounts. It should be highlighted that in recent years financial derivatives have been used to hedge portfolios managed or held in custody.

The rise in the "Other memorandum accounts" caption should also be noted. This caption includes guarantees and commitments received and other accounts, continuing with growth started in 2004, it has risen by 31.83% reaching the figure of Euros 4,466 million.

Details of aggregate memorandum accounts by entity at 31 December 2006 are as follows:

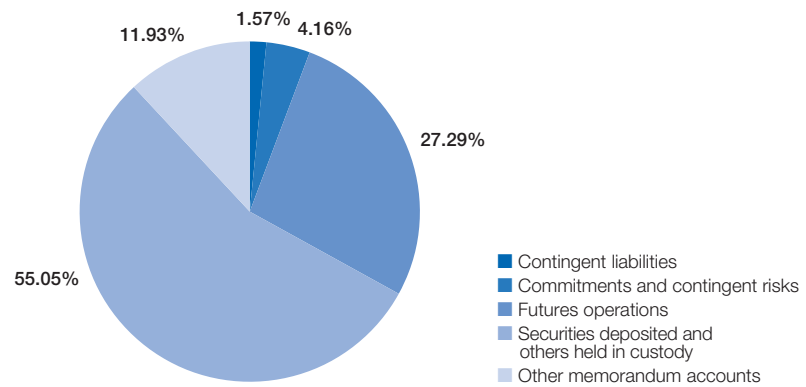
Aggregate memorandum accounts by entity 2006



Source: Annual reports of banking entities

A breakdown of aggregate memorandum accounts at 31 December 2006 is as follows:

Structure of aggregate memorandum accounts 2006



Source: Annual reports of banking entities

Aggregate consolidated income statements for Andorran banks

Details of the aggregate consolidated income statements of Andorran banks for 2005 and 2006 are as follows:

(Thousands of Euros)	2005	2006	Var. (%) 05-06
Interest and similar income	271,245	365,283	34.67%
Interest and similar charges	(142,746)	(229,349)	60.67%
Revenue from variable income securities	1,420	1,825	28.52%
FINANCIAL MARGIN	129,919	137,759	6.03%
Commission	337,288	391,487	16.07%
Profits on financial operations	50,339	55,806	10.86%
Other profit on ordinary activities	2,820	2,993	6.13%
MARGIN ON ORDINARY ACTIVITIES	520,366	588,045	13.01%
Personnel expenses	(79,971)	(88,701)	10.92%
General expenses	(104,892)	(115,319)	9.94%
Depreciation and provisions	(38,800)	(40,516)	4.42%
Provisions for depreciation of assets, net of recoveries	(669)	1,247	-
OPERATING MARGIN	296,034	344,756	16.46%
Provisions for loan losses, net of recoveries	(9,490)	(3,792)	(60.04%)
Provisions for liabilities and charges, net of recoveries	363	2,880	-
Allowance to provision for general risks	(6,963)	(10,897)	56.50%
PROFIT ON ORDINARY ACTIVITIES	279,944	332,947	18.93%
Net extraordinary income	5,317	4,346	(18.26%)
Losses attributable to minority interest	(132)	(31)	(76.52%)
PROFIT ATTRIBUTABLE TO THE GROUP	285,129	337,262	18.28%

Source: Annual reports of banking entities

Chapter "V. Information of interest" shows the consolidated income statements of each banking group.

As a whole the Andorran banking entities have generated profits of Euros 337 million in 2006, 18.28% up on the previous year (2004 vs. 2005: + 5.16%).

Financial margin

As can be seen from the table below, in 2006 the aggregate financial margin of Andorran banking entities amounted to Euros 137,759 thousand and increased by 6.03% in relation to 2005 (2004 vs. 2005: -3.03%), caused, among other factors, by the rising interest rates in the Euro Zone.

Financial margin by banking entity

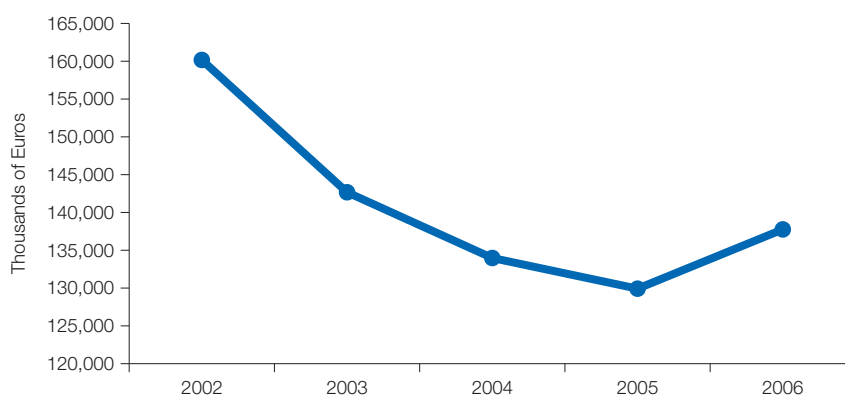
(Thousands of Euros)

	2005	2006	Var. (%) 05-06
ANDBANC	28,450	30,789	8.22%
BIBM	29,589	35,081	18.56%
BPA	9,536	8,859	(7.01%)
CRÉDIT ANDORRÀ GROUP	57,779	57,164	(1.06%)
BANCSABADELL D'ANDORRA	4,565	5,866	28.50%
TOTAL FINANCIAL MARGIN	129,919	137,759	6.03%

Source: Annual reports of banking entities

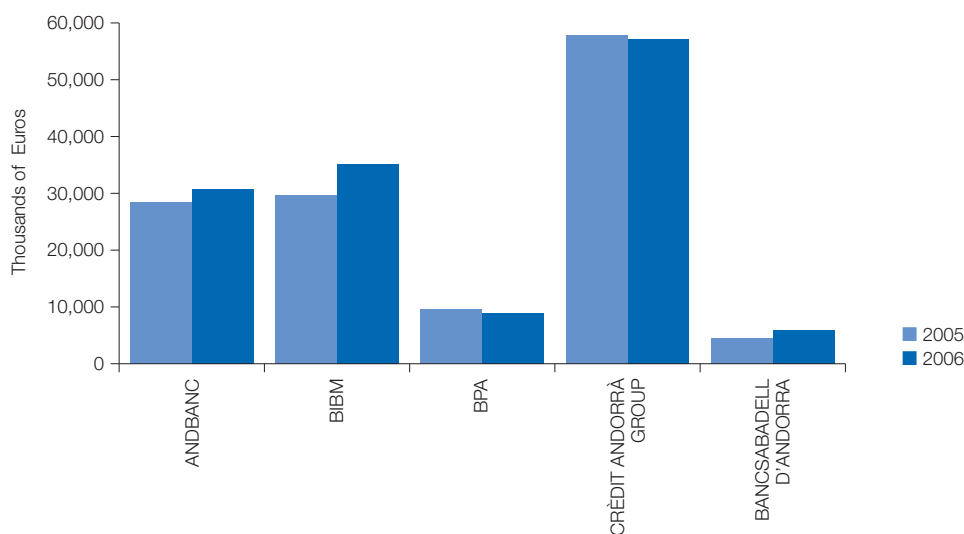
The evolution of the aggregate financial margin for the last five years, together with the financial margin by banking entity for 2005 and 2006 are shown in the graphs below:

Evolution of aggregate financial margin 2002-2006



Source: Annual reports of banking entities

Evolution of aggregate financial margin 2005-2006



Source: Annual reports of banking entities

Margin on ordinary activities

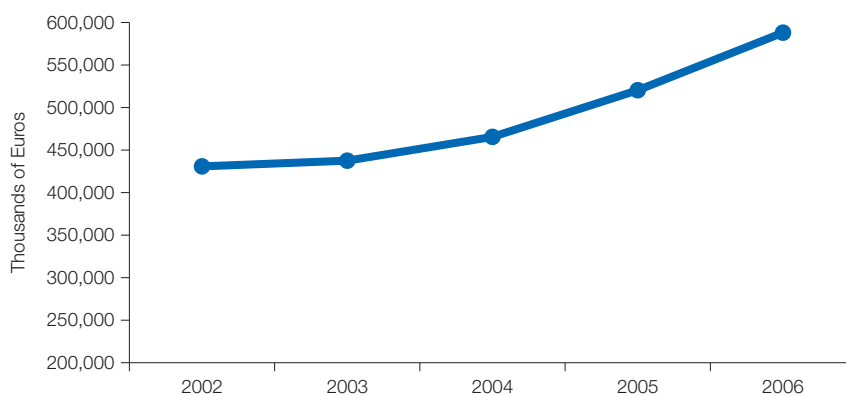
The table below shows that the aggregate margin on ordinary activities for the year is up 13.01% to Euros 588,045 thousand. This is mainly due to the 16.07% rise in commissions on high added value products and services. Furthermore, the 10.86% increase in results on financial operations is due to a more active management of the banks' shareholders' equity and by the growth in all lines of business.

Margin on ordinary activities by banking entity			
<i>(Thousands of Euros)</i>			
	<u>2005</u>	<u>2006</u>	<u>Var. (%) 05-06</u>
ANDBANC	131,103	148,735	13.45%
BIBM	131,528	138,472	5.28%
BPA	47,219	61,179	29.56%
CRÈDIT ANDORRÀ GROUP	198,783	223,814	12.59%
BANCSABADELL D'ANDORRA	11,733	15,845	35.05%
TOTAL MARGIN ON ORDINARY ACTIVITIES	520,366	588,045	13.01%

Source: Annual reports of banking entities

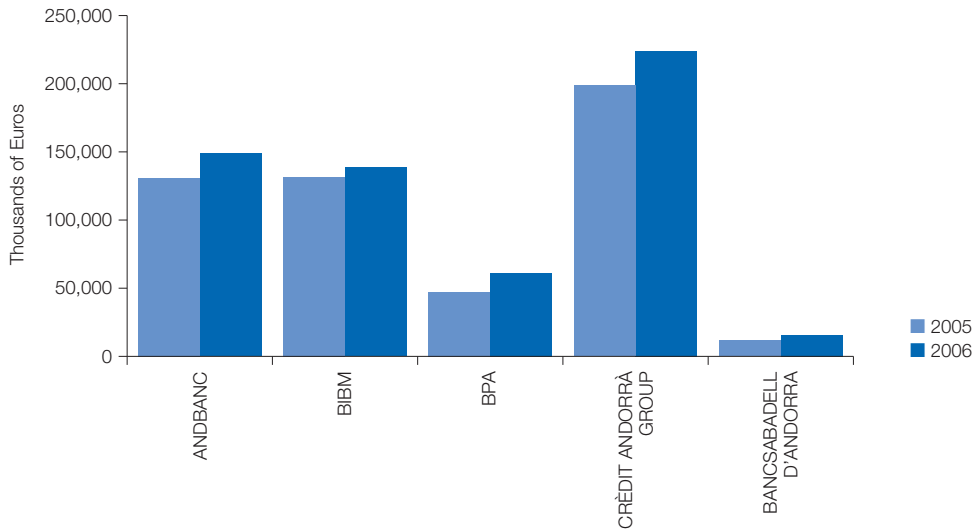
The aggregate margin on ordinary activities for each banking entity over the last seven years, together with a graph showing its evolution for 2005 and 2006 is as follows:

Evolution of aggregate margin on ordinary activities 2002-2006



Source: Annual reports of banking entities

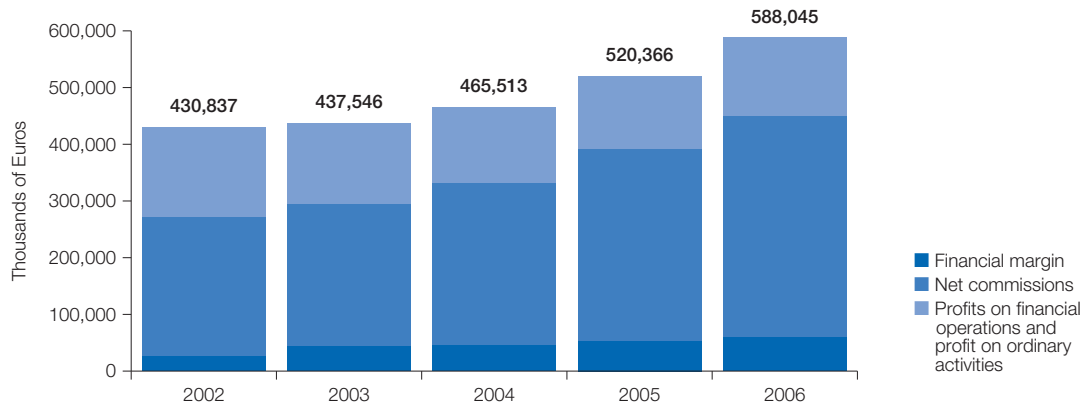
Evolution of ordinary margin 2005-2006



Source: Annual reports of banking entities

The graph below shows the drop in the contribution of the financial margin as a percentage of margin on ordinary activities in recent years, together with the rise in net commission and, to a lower extent, commission on financial operations and others.

Evolution of aggregate margin on ordinary activities 2002-2006



Source: Annual reports of banking entities

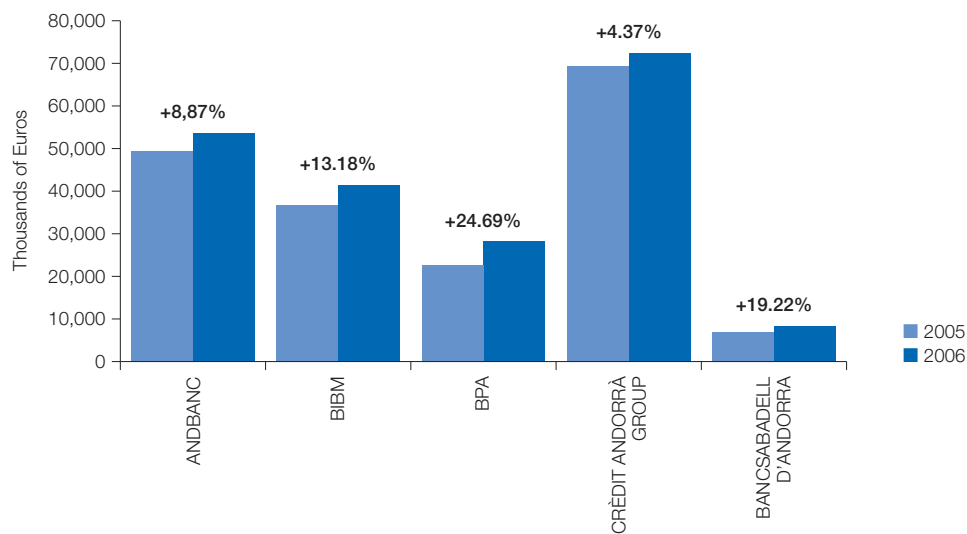
The growth in the commission caption in recent years has been due, amongst other factors, to the rise in off-balance sheet activity of Andorran banks.

Transformation costs

In 2006 transformation costs of Andorran banking entities (including “Personnel expenses” and “General expenses”) amounted to Euros 204,020 thousand, up 10.36% on 2005. An improvement has taken place compared to the previous year, as the rise compared to 2004 stood at +21.02%. Based on transformation costs as a percentage of margin on ordinary activities, it can be observed that the variation compared to the previous year is 1% higher (35.53% in 2005 and 34.69% in 2006).

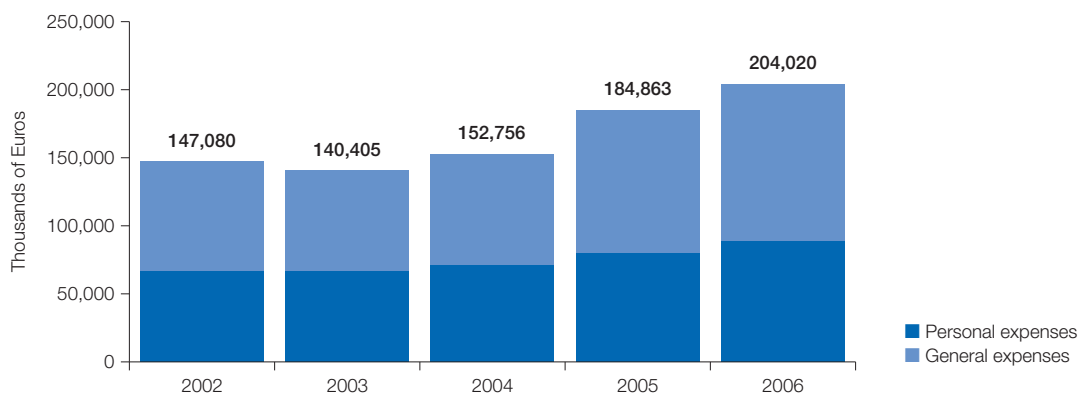
Transformation costs for each banking entity are shown in the following table and graph:

Changes in transformation costs 2005-2006



Source: Annual reports of banking entities

Changes in the structure of aggregate transformation costs 2002-2006



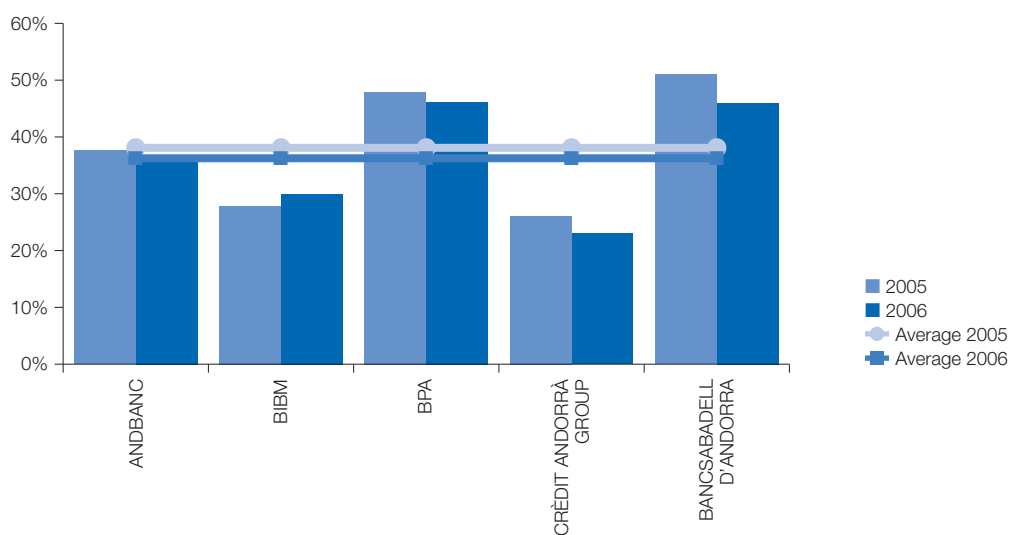
Source: Annual reports of banking entities

Based on the evolution of transformation costs, one of the indicators showing efficiency of the Andorran financial entities is the *efficiency ratio*, which measures the part of the margin on ordinary activities absorbed by the transformation costs. The average efficiency ratio of Andorran banking entities for 2006 stands at approximately 36.25%, 1.84% down on 2005.

Efficiency ratio by banking entity		
	2005	2006
ANDBANC	37.57%	36.10%
BIBM	27.87%	29.97%
BPA	47.94%	46.13%
CRÈDIT ANDORRÀ GROUP	26.06%	23.05%
BANCSABADELL D'ANDORRA	51.00%	46.00%
AVERAGE	38.09%	36.25%

Source: Annual reports of banking entities

Evolution of efficiency ratios of Andorran banking entities 2005-2006



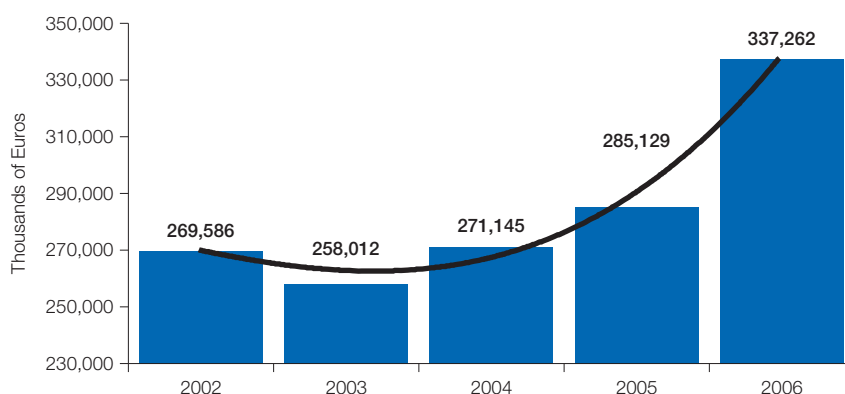
Source: Annual reports of banking entities

Profit

As a result of the growth in the aggregate financial margin and aggregate margin on ordinary activities and despite the aforementioned rise in transformation costs, the aggregate operating margin stands at Euros 344,756 thousand, up 16.46% on the same period of the previous year (2004 vs. 2005: + 4.16%). Aggregate profit of Andorran banking entities has increased by 18.28% (2004 vs. 2005: +5.16%).

The graph below plots the changes in the aggregate profit of Andorran banking entities from 2002 to 2006 and the table illustrates the profit for each banking entity:

Growth in aggregate profit 2002-2006



Source: Annual reports of banking entities

Profit by banking entity

(Thousands of Euros)

	2005	2006	Var. (%) 05-06
ANDBANC	74,795	87,302	16.72%
BIBM	83,978	94,237	12.22%
BPA	21,680	28,244	30.28%
CRÈDIT ANDORRÀ GROUP	101,275	121,371	19.84%
BANCSABADELL D'ANDORRA	3,401	6,108	79.59%
TOTAL PROFIT	285,129	337,262	18.28%

Source: Annual reports of banking entities

Average return on equity (ROE)

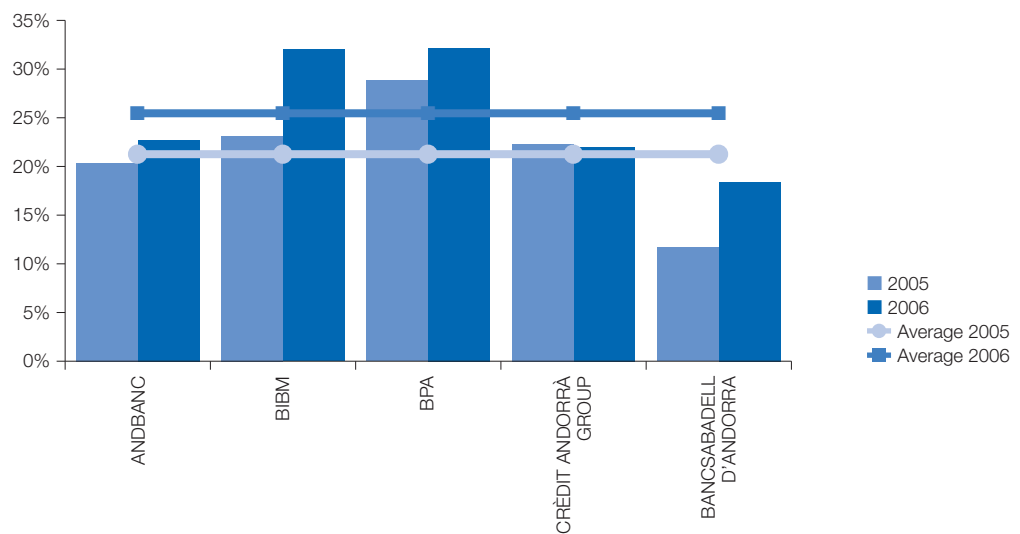
The average return on equity of Andorran banks for the year ended 31 December 2006 stood at 25.46% (calculating average profit/equity), up 4.20%. The following table and graph show the average return on equity for each banking entity in 2005 and 2006.

Average return on equity (ROE)		
	2005	2006
ANDBANC	20.36%	22.72%
BIBM	23.11%	32.01%
BPA	28.82%	32.18%
CRÈDIT ANDORRÀ GROUP	22.31%	22.00%
BANCSABADELL D'ANDORRA	11.68%	18.39%
AVERAGE	21.26%	25.46%

Source: Annual reports of banking entities

The following graph plots the return on equity over the last few years:

Average return on equity by banking entity 2005-2006



Source: Annual reports of banking entities

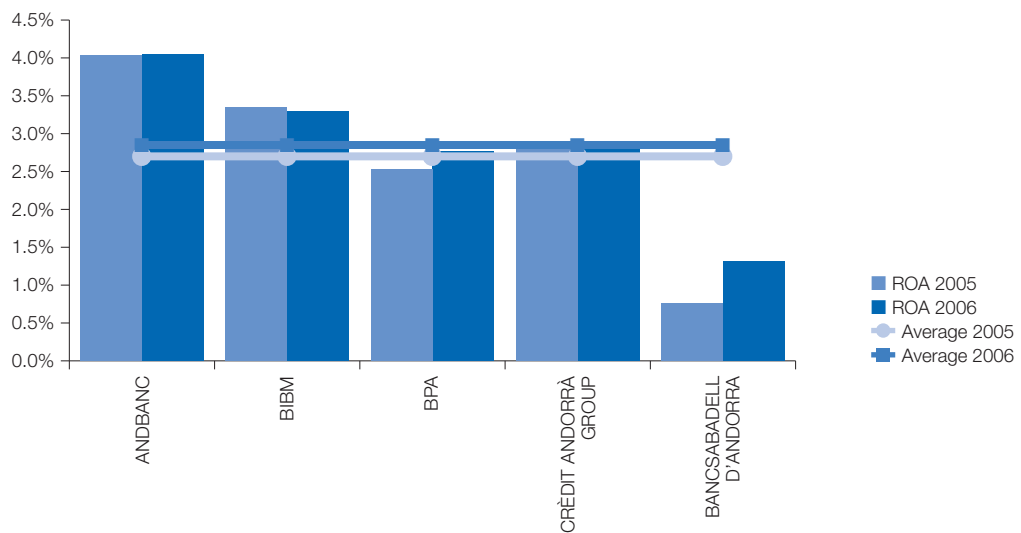
Average return on assets (ROA)

The average yield on total assets of Andorran banks for the year ended 31 December 2006 stands at 2.85%, 0.15% up on 2006. The following table and graph show the average return on assets (calculating average profit/total assets) for each banking entity for 2005 and 2006:

Average return on assets (ROA)		
	2005	2006
ANDBANC	4.04%	4.05%
BIBM	3.35%	3.30%
BPA	2.53%	2.77%
CRÈDIT ANDORRÀ GROUP	2.84%	2.83%
BANCSABADELL D'ANDORRA	0.76%	1.31%
AVERAGE	2.70%	2.85%

Source: Annual reports of banking entities

Average return on assets by banking entity 2005-2006



Source: Annual reports of banking entities

Capital adequacy and liquidity

On 29 February 1996 the General Council approved the “Law regulating the capital adequacy and liquidity criteria of financial institutions”. This Law was introduced to guarantee the solidity of the structure of the Andorran financial system and originated from a recommendation by the Basel Committee on Banking Regulations and Supervisory Practices.

In order for the Andorran financial system to gain a favourable reputation at an international level, capital adequacy and liquidity ratios of 10% and 40% respectively, were introduced, which are more stringent than those prevailing in the majority of countries already using these ratios.

The table below shows the changes in the two ratios for each banking entity during 2005 and 2006 which, as can be clearly observed, significantly exceed the established minimums:

	Capital adequacy		Liquidity	
	2005	2006	2005	2006
ANDBANC	33.85%	29.80%	52.82%	54.56%
BIBM	31.10%	23.14%	71.30%	75.28%
BPA	18.71%	16.49%	56.36%	61.07%
CRÈDIT ANDORRÀ GROUP	19.92%	20.94%	66.71%	57.22%
BANCSABADELL D'ANDORRA	14.66%	14.44%	52.68%	64.70%
AVERAGE	23.65%	20.96%	59.97%	62.57%

Source: Annual reports of banking entities

It can be observed that the average capital adequacy ratio of Andorran banks at 31 December 2006 stands at 20.96%, a variation of almost 3% compared to the previous year, exceeding the level reached by the main international banking entities.

At the same date, the average liquidity ratio of Andorran banks stands at 62.57%, 2.60% up on the figure reached in 2005.

Another indicator of the capital adequacy of the banking entities is the rating system prepared by specialised agencies such as Fitch Ratings, Moody's or Standard & Poor's.

The table below shows some of the ratings given to some of Andorra's banking entities in 2006.

	Ratings			Agency
	Long term	Short term	Financial strength	
ANDBANC	A	F1	A/B	Fitch Ratings
BIBM	A2	P-1	C+	Moody's
BPA	BBB	F3	B/C	Fitch Ratings
CRÈDIT ANDORRÀ GROUP	A	F1	A/B	Fitch Ratings
BANCSABADELL D'ANDORRA (*)	-	-	-	-

(*) 51% interest held by Banc Sabadell

Source: Reports from rating agencies as of December 2006

It should be noted that the most recent rating update assigned to the Principality of Andorra by Standard & Poor's (sovereign rating) has been AA for the long term and A-1+ for the short term with perspectives for stability.

V. INFORMATION OF INTEREST



V. INFORMATION OF INTEREST (*)

V.1. ANDORRAN BANKING GROUPS

Andorra Banc Agrícol Reig, SA

Ed. Centre de Negoci - C/ Manuel Cerqueda i Escaler, 6 – AD700 Escaldes-Engordany
(Principality of Andorra) - Tel. +376 873333 – Fax +376 863905

Honorary Chairman:	Mr. Òscar Ribas Reig
Chairman:	Mr. Manel Cerqueda Donadeu
Vice Chairman:	Mr. Oriol Ribas Duró
Director – General Manager:	Mr. Jaume Sabater Rovira

Consolidated balance sheets of Andorra Banc Agrícol Reig, SA (Andbanc) as of December 31, 2005 and 2006

(Thousands of Euros)	2005	% of total	2006	% of total	Var. (%) 05-06
ASSETS					
Cash and central banks OECD	8,699	0.42%	16,582	0.69%	90.62%
INAF	18,836	0.91%	18,577	0.78%	(1.38%)
Financial intermediaries	164,738	7.92%	124,028	5.19%	(24.71%)
Loans	1,149,730	55.27%	1,349,666	56.49%	17.39%
Securities portfolio	636,047	30.58%	732,292	30.65%	15.13%
Gains on consolidation	-	-	-	-	-
Intangible assets	8,138	0.39%	9,960	0.42%	22.39%
Tangible assets	48,399	2.33%	52,068	2.18%	7.58%
Prepayment and accrued receivables	24,703	1.18%	36,044	1.51%	45.91%
Other assets	20,773	1.00%	50,091	2.09%	-
TOTAL ASSETS	2,080,063	100.00%	2,389,308	100.00%	14.87%
LIABILITIES					
INAF	19,606	0.94%	19,351	0.81%	(1.30%)
Due to banks and credit entities	353,588	17.00%	445,893	18.66%	26.11%
Other financial intermediaries	-	-	-	-	-
Customer deposits	1,285,934	61.82%	1,477,253	61.83%	14.88%
Debts represented by securities	-	-	-	-	-
Provision for liabilities and charges	4,882	0.23%	5,109	0.21%	4.65%
Provision for general risks	800	0.04%	800	0.03%	-
Subordinated liabilities	-	-	-	-	-
Accruals	16,379	0.79%	20,712	0.87%	26.45%
Other liabilities	19,566	0.94%	24,679	1.03%	26.13%
Share capital	68,061	3.27%	68,061	2.85%	-
Reserves	266,278	12.80%	273,628	11.45%	2.76%
Profit	74,795	3.60%	87,302	3.65%	16.72%
Prior years' result	-	-	-	-	-
Interim dividends	(30,131)	(1.45%)	(33,723)	(1.41%)	11.92%
Minority interest	305	0.02%	243	0.02%	(20.33%)
TOTAL LIABILITIES	2,080,063	100.00%	2,389,308	100.00%	14.87%

Source: Annual report of banking entity

(*) Information of interest relates to post occupied by individuals prior to 30 June 2007

Consolidated memorandum accounts of Andorra Banc Agrícola Reig, SA (Andbanc) as of December 31, 2005 and 2006

(Thousands of Euros)	<u>2005</u>	<u>% of total</u>	<u>2006</u>	<u>% of total</u>	<u>Var. (%) 05-06</u>
Contingent liabilities	85,145	0.93%	93,525	0.93%	9.84%
Commitments and contingent risks	316,858	3.47%	402,976	4.03%	27.18%
Future operations	2,344,944	25.66%	2,342,356	23.41%	(0.11%)
Securities deposited and others held in custody	5,372,570	58.80%	5,800,093	57.96%	7.96%
Other memorandum accounts	1,017,285	11.13%	1,368,866	13.68%	34.56%
Total	9,136,802	100.00%	10,007,816	100.00%	9.53%

Source: Annual report of banking entity

Consolidated income statements of Andorra Banc Agrícola Reig, SA (Andbanc) for the years ended December 31, 2005 and 2006

(Thousands of Euros)	<u>2005</u>	<u>2006</u>	<u>Var. (%) 05-06</u>
Interest and similar income	55,408	74,545	34.54%
Interest and similar charges	(27,438)	(44,224)	61.18%
Revenue from variable income securities	480	468	(2.50%)
FINANCIAL MARGIN	28,450	30,789	8.22%
Commission	85,455	94,997	11.17%
Profits on financial operations	16,207	21,822	34.65%
Other profit on ordinary activities	991	1,127	13.72%
MARGIN ON ORDINARY ACTIVITIES	131,103	148,735	13.45%
Personnel expenses	(22,548)	(24,939)	10.60%
General expenses	(26,769)	(28,751)	7.40%
Depreciation and provisions	(7,411)	(6,763)	(8.74%)
Provisions for depreciation of assets, net of recoveries	-	-	-
OPERATING MARGIN	74,375	88,282	18.70%
Provisions for loan losses, net of recoveries	(1,199)	(1,710)	42.62%
Provisions for liabilities and charges, net of recoveries	-	-	-
Allowance to provision for general risks	-	-	-
PROFIT ON ORDINARY ACTIVITIES	73,176	86,572	18.31%
Net extraordinary income	1,751	761	(56.54%)
Losses attributable to minority interest	(132)	(31)	(76.52%)
PROFIT ATTRIBUTABLE TO THE GROUP	74,795	87,302	16.72%

Source: Annual report of banking entity

(*) Information of interest relates to post occupied by individuals prior to 30 June 2007

Banc Internacional d'Andorra, SA

Av. Meritxell, 96 – AD500 Andorra la Vella
(Principality of Andorra) - Tel. +376 884488 – Fax +376 884499

Honorary Chairman: Mr. Joan Mora Font
Chairman: Mr. Jordi Aristot Mora
Director – General Manager: Mr. Joan Quera Font

Banca Mora, SA

Av. Meritxell, 96 – AD500 Andorra la Vella
(Principality of Andorra) - Tel. +376 884488 – Fax +376 884499

Honorary Chairman: Mr. Joan Mora Font
Chairman: Mr. Francesc Mora Sagués
Director – General Manager: Mr. Joan Quera Font

Consolidated balance sheets of Banc Internacional d'Andorra, SA, Banca Mora, SA (BIBM) as of December 31, 2005 and 2006

(Thousands of Euros)	2005	% of total	2006	% of total	Var. (%) 05-06
ASSETS					
Cash and central banks OECD	16,556	0.63%	22,633	0.73%	36.71%
INAF	29,159	1.12%	28,641	0.93%	(1.78%)
Financial intermediaries	1,440,122	55.16%	1,896,894	61.37%	31.72%
Loans	932,232	35.71%	947,599	30.66%	1.65%
Securities portfolio	118,758	4.55%	108,919	3.52%	(8.28%)
Gains on consolidation	-	-	-	-	-
Intangible assets	5,254	0.20%	5,127	0.17%	(2.42%)
Tangible assets	54,842	2.10%	55,518	1.80%	1.23%
Prepayment and accrued receivables	9,143	0.34%	16,663	0.54%	82.25%
Other assets	4,675	0.19%	8,714	0.28%	86.40%
TOTAL ASSETS	2,610,741	100.00%	3,090,708	100.00%	18.38%
LIABILITIES					
INAF	36,618	1.40%	36,227	1.17%	(1.07%)
Due to banks and credit entities	80,095	3.07%	66,136	2.14%	(17.43%)
Other financial intermediaries	1,713	0.07%	387	0.01%	(77.41%)
Customer deposits	2,025,459	77.58%	2,638,223	85.36%	30.25%
Debts represented by securities	-	-	-	-	-
Provision for liabilities and charges	46,825	1.79%	45,852	1.48%	(2.08%)
Provision for general risks	5,560	0.21%	2,850	0.09%	(48.74%)
Subordinated liabilities	-	-	60,000	1.94%	-
Accruals	10,652	0.41%	17,915	0.58%	68.18%
Other liabilities	10,683	0.41%	14,145	0.46%	32.41%
Share capital	42,407	1.62%	42,407	1.37%	-
Reserves	266,751	10.22%	140,729	4.55%	(47.24%)
Profit	83,978	3.22%	94,237	3.06%	12.22%
Prior years' result	-	-	-	-	-
Interim dividends	-	-	(68,400)	(2.21%)	-
Minority interest	-	-	-	-	-
TOTAL LIABILITIES	2,610,741	100.00%	3,090,708	100.00%	18.38%

Source: Annual report of banking entity

(*) Information of interest relates to post occupied by individuals prior to 30 June 2007

Consolidated memorandum accounts of Banc Internacional d'Andorra, SA, Banca Mora, SA (BIBM) as of December 31, 2005 and 2006

(Thousands of Euros)	2005	% of total	2006	% of total	Var. (%) 05-06
Contingent liabilities	134,068	1.62%	122,793	1.40%	(8.41%)
Commitments and contingent risks	353,197	4.26%	326,494	3.71%	(7.56%)
Future operations	1,497,756	18.08%	1,569,755	17.84%	4.81%
Securities deposited and others held in custody	5,031,941	60.73%	4,939,849	56.15%	(1.83%)
Other memorandum accounts	1,269,352	15.32%	1,838,542	20.90%	44.84%
Total	8,286,314	100.00%	8,797,433	100.00%	6.17%

Source: Annual report of banking entity

Consolidated income statements of Banc Internacional d'Andorra, SA, Banca Mora, SA (BIBM) for the years ended December 31, 2005 and 2006

(Thousands of Euros)	2005	2006	Var. (%) 05-06
Interest and similar income	64,951	96,466	48.52%
Interest and similar charges	(35,862)	(62,325)	73.79%
Revenue from variable income securities	500	940	88.00%
FINANCIAL MARGIN	29,589	35,081	18.56%
Commission	93,290	95,541	2.41%
Profits on financial operations	8,435	7,628	(9.57%)
Other profit on ordinary activities	214	222	3.74%
MARGIN ON ORDINARY ACTIVITIES	131,528	138,472	5.28%
Personnel expenses	(15,388)	(17,206)	11.81%
General expenses	(21,273)	(24,288)	14.17%
Depreciation and provisions	(6,516)	(6,819)	4.65%
Provisions for depreciation of assets, net of recoveries	(386)	1,167	-
OPERATING MARGIN	87,965	91,326	3.82%
Provisions for loan losses, net of recoveries	(676)	(2,202)	-
Provisions for liabilities and charges, net of recoveries	(10)	614	-
Allowance to provision for general risks	(5,712)	-	-
PROFIT ON ORDINARY ACTIVITIES	81,567	89,738	10.02%
Net extraordinary income	2,411	4,499	86.60%
Losses attributable to minority interest	-	-	-
PROFIT ATTRIBUTABLE TO THE GROUP	83,978	94,237	12.22%

Source: Annual report of banking entity

(*) Information of interest relates to post occupied by individuals prior to 30 June 2007

Banca Privada d'Andorra, SA

Av. Carlemany, 119 – AD700 Escaldes-Engordany
(Principality of Andorra) - Tel. +376 873500 – Fax +376 873519

Chairman: Mr. Higini Cierco Noguer
Chairman: Mr. Ramon Cierco Noguer
Director – General Manager: Mr. Joan Pau Miquel Prats

Consolidated balance sheets of Banca Privada d'Andorra, SA (BPA) as of December 31, 2005 and 2006

(Thousands of Euros)					
	2005	% of total	2006	% of total	Var. (%) 05-06
ASSETS					
Cash and central banks OECD	4,997	0.56%	5,715	0.45%	14.37%
INAF	8,531	0.96%	8,521	0.67%	(0.12%)
Financial intermediaries	21,766	2.46%	38,348	3.04%	76.18%
Loans	610,797	68.91%	951,990	75.38%	55.86%
Securities portfolio	162,050	18.28%	171,305	13.56%	5.71%
Gains on consolidation	-	-	-	-	-
Intangible assets	5,807	0.66%	6,896	0.55%	18.75%
Tangible assets	59,015	6.66%	61,610	4.88%	4.40%
Prepayment and accrued receivables	4,054	0.45%	6,036	0.48%	48.89%
Other assets	9,411	1.06%	12,495	0.99%	32.77%
TOTAL ASSETS	886,428	100.00%	1,262,916	100.00%	42.47%
LIABILITIES					
INAF	30,376	3.43%	40,565	3.21%	33.54%
Due to banks and credit entities	36,544	4.12%	127,835	10.12%	-
Other financial intermediaries	-	-	-	-	-
Customer deposits	716,817	80.87%	974,173	77.14%	35.90%
Debts represented by securities	-	-	-	-	-
Provision for liabilities and charges	-	-	-	-	-
Provision for general risks	902	0.10%	902	0.07%	-
Subordinated liabilities	-	-	-	-	-
Accruals	6,153	0.69%	11,007	0.87%	78.89%
Other liabilities	13,741	1.55%	10,155	0.80%	(26.01%)
Share capital	33,000	3.72%	33,000	2.61%	-
Reserves	33,415	3.77%	44,035	3.49%	31.78%
Profit	21,680	2.45%	28,244	2.24%	30.28%
Prior years' result	-	-	-	-	-
Interim dividends	(6,200)	(0.70%)	(7,000)	(0.55%)	12.90%
Minority interest	-	-	-	-	-
TOTAL LIABILITIES	886,428	100.00%	1,262,916	100.00%	42.47%

Source: Annual report of banking entity

(*) Information of interest relates to post occupied by individuals prior to 30 June 2007

Consolidated memorandum accounts of Banca Privada d'Andorra, SA (BPA) as of December 31, 2005 and 2006

(Thousands of Euros)	2005	% of total	2006	% of total	Var. (%) 05-06
Contingent liabilities	52,686	2.13%	88,446	3.25%	67.87%
Commitments and contingent risks	129,340	5.22%	153,067	5.63%	18.34%
Future operations	509,948	20.57%	540,326	19.87%	5.96%
Securities deposited and others held in custody	1,698,638	68.51%	1,785,130	65.64%	5.09%
Other memorandum accounts	88,721	3.58%	152,656	5.61%	72.06%
Total	2,479,333	100.00%	2,719,625	100.00%	9.69%

Source: Annual report of banking entity

Consolidated income statements of Banca Privada d'Andorra, SA (BPA) for the years ended December 31, 2005 and 2006

(Thousands of Euros)	2005	2006	Var. (%) 05-06
Interest and similar income	25,539	32,163	25.94%
Interest and similar charges	(16,035)	(23,336)	45.53%
Revenue from variable income securities	32	32	-
FINANCIAL MARGIN	9,536	8,859	(7.10%)
Commission	31,809	43,134	35.60%
Profits on financial operations	4,755	7,990	68.03%
Other profit on ordinary activities	1,119	1,196	6.88%
MARGIN ON ORDINARY ACTIVITIES	47,219	61,179	29.56%
Personnel expenses	(8,845)	(12,000)	35.67%
General expenses	(13,790)	(16,223)	17.64%
Depreciation and provisions	(3,420)	(4,434)	29.65%
Provisions for depreciation of assets, net of recoveries	(203)	-	-
OPERATING MARGIN	20,961	28,522	36.07%
Provisions for loan losses, net of recoveries	(368)	(2,105)	-
Provisions for liabilities and charges, net of recoveries	-	-	-
Allowance to provision for general risks	-	-	-
PROFIT ON ORDINARY ACTIVITIES	20,593	26,417	28.28%
Net extraordinary income	1,087	1,827	68.08%
Losses attributable to minority interest	-	-	-
PROFIT ATTRIBUTABLE TO THE GROUP	21,680	28,244	30.28%

Source: Annual report of banking entity

(*) Information of interest relates to post occupied by individuals prior to 30 June 2007

Crèdit Andorrà Group, SA

Av. Meritxell, 80 – AD500 Andorra la Vella
(Principality of Andorra) - Tel. +376 888000 – Fax +376 888021

Chairman: Mr. Antoni Pintat Santolària
Vice Chairman (*): Mr. Jaume Casal Mor
Managing Director – General Manager: Mr. Josep Peralba Duró

(*) Position held since 27 April 2007, due to death of Mr. Antoni Pintat Argelich.

Consolidated balance sheets of Crèdit Andorrà Group, SA as of December 31, 2005 and 2006

(Thousands of Euros)					
	2005	% of total	2006	% of total	Var. (%) 05-06
ASSETS					
Cash and central banks OECD	30,899	0.78%	32,266	0.74%	4.42%
INAF	47,287	1.19%	46,245	1.06%	(2.20%)
Financial intermediaries	1,126,137	28.42%	1,075,878	24.64%	(4.46%)
Loans	1,923,743	48.55%	2,429,826	55.65%	26.31%
Securities portfolio	458,257	11.56%	438,185	10.04%	(4.38%)
Gains on consolidation	176,101	4.44%	156,534	3.59%	(11.11%)
Intangible assets	12,487	0.32%	12,335	0.28%	(1.22%)
Tangible assets	110,821	2.80%	111,955	2.56%	1.02%
Prepayment and accrued receivables	33,074	0.83%	41,429	0.95%	25.26%
Other assets	43,977	1.11%	21,487	0.49%	(51.14%)
TOTAL ASSETS	3,962,783	100.00%	4,366,140	100.00%	10.18%
LIABILITIES					
INAF	63,404	1.60%	62,085	1.42%	(2.08%)
Due to banks and credit entities	203,119	5.13%	155,069	3.55%	(23.66%)
Other financial intermediaries	-	-	-	-	-
Customer deposits	2,879,458	72.66%	3,258,707	74.64%	13.17%
Debts represented by securities	40,945	1.03%	12,318	0.28%	(69.92%)
Provision for liabilities and charges	25,053	0.63%	27,825	0.64%	11.06%
Provision for general risks	60,463	1.53%	68,619	1.57%	13.49%
Subordinated liabilities	100,000	2.52%	150,000	3.44%	50.00%
Accruals	28,584	0.72%	37,930	0.87%	32.70%
Other liabilities	44,277	1.12%	30,257	0.69%	(31.66%)
Share capital	70,000	1.77%	70,000	1.60%	-
Reserves	391,103	9.87%	421,959	9.66%	7.89%
Profit	101,275	2.56%	121,371	2.79%	19.84%
Prior years' result	102	-	-	-	-
Interim dividends	(45,000)	(1.14%)	(50,000)	(1.15%)	11.11%
Minority interest	-	-	-	-	-
TOTAL LIABILITIES	3,962,783	100.00%	4,366,140	100.00%	10.18%

Source: Annual report of banking entity

(*) Information of interest relates to post occupied by individuals prior to 30 June 2007

Consolidated memorandum accounts of Crèdit Andorrà Group, SA as of December 31, 2005 and 2006

(Thousands of Euros)	2005	% of total	2006	% of total	Var. (%) 05-06
Contingent liabilities	292,334	1.95%	256,403	1.73%	(12.29%)
Commitments and contingent risks	548,486	3.66%	581,664	3.92%	6.05%
Future operations	6,321,333	42.23%	5,606,325	37.83%	(11.31%)
Securities deposited and others held in custody	6,810,832	45.50%	7,289,278	49.18%	7.02%
Other memorandum accounts	997,089	6.66%	1,086,573	7.33%	8.97%
Total	14,970,074	100.00%	14,820,243	100.00%	(1.00%)

Source: Annual report of banking entity

Consolidated income statements of Crèdit Andorrà Group, SA for the years ended December 31, 2005 and 2006

(Thousands of Euros)	2005	2006	Var. (%) 05-06
Interest and similar income	112,905	144,657	28.12%
Interest and similar charges	(55,529)	(87,850)	58.21%
Revenue from variable income securities	403	357	(11.41%)
FINANCIAL MARGIN	57,779	57,164	(1.06%)
Commission	121,189	149,646	23.48%
Profits on financial operations	19,380	16,634	(14.17%)
Other profit on ordinary activities	435	370	(14.94%)
MARGIN ON ORDINARY ACTIVITIES	198,783	223,814	12.59%
Personnel expenses	(29,871)	(30,441)	1.91%
General expenses	(39,445)	(41,905)	6.24%
Depreciation and provisions	(19,901)	(21,151)	6.28%
Provisions for depreciation of assets, net of recoveries	(80)	80	-
OPERATING MARGIN	109,486	130,397	19.01%
Provisions for loan losses, net of recoveries	(7,377)	2,363	-
Provisions for liabilities and charges, net of recoveries	373	2,266	-
Allowance to provision for general risks	(1,251)	(10,897)	-
PROFIT ON ORDINARY ACTIVITIES	101,231	124,129	22.62%
Net extraordinary income	44	(2,758)	-
Losses attributable to minority interest	-	-	-
PROFIT ATTRIBUTABLE TO THE GROUP	101,275	121,371	19.84%

Source: Annual report of banking entity

(*) Information of interest relates to post occupied by individuals prior to 30 June 2007

BancSabadell d'Andorra, SA

Av. del Fener, 7 – AD500 Andorra la Vella
(Principality of Andorra) Tel. +376 735600 – Fax +376 735601

Chairman:

Mr. Robert Cassany Vila

Director – General Manager:

Mr. Miquel Alabern Comas

Consolidated balance sheets of BancSabadell d'Andorra, SA as of December 31, 2005 and 2006

(Thousands of Euros)					
	2005	% of total	2006	% of total	Var. (%) 05-06
ASSETS					
Cash and central banks OECD	4,685	1.03%	4,566	0.86%	(2.54%)
INAF	6,220	1.37%	6,220	1.17%	-
Financial intermediaries	4,917	1.08%	27,488	5.16%	-
Loans	359,438	79.02%	384,703	72.25%	7.03%
Securities portfolio	57,073	12.55%	81,229	15.25%	42.32%
Gains on consolidation	-	-	-	-	-
Intangible assets	1,331	0.29%	1,877	0.35%	41.02%
Tangible assets	13,074	2.87%	16,778	3.15%	28.33%
Prepayment and accrued receivables	2,837	0.62%	3,759	0.71%	32.50%
Other assets	5,320	1.17%	5,867	1.10%	10.28%
TOTAL ASSETS	454,895	100.00%	532,487	100.00%	17.06%
LIABILITIES					
INAF	6,248	1.37%	6,338	1.19%	1.44%
Due to banks and credit entities	143	0.03%	1,290	0.24%	-
Other financial intermediaries	-	-	-	-	-
Customer deposits	401,199	88.20%	479,444	90.04%	19.50%
Debts represented by securities	7,000	1.54%	2,000	0.38%	(71.43%)
Provision for liabilities and charges	-	-	25	-	-
Provision for general risks	-	-	-	-	-
Subordinated liabilities	1,572	0.35%	-	-	-
Accruals	1,775	0.39%	2,019	0.38%	13.75%
Other liabilities	6,830	1.50%	5,135	0.96%	(24.82%)
Share capital	30,068	6.61%	30,068	5.65%	-
Reserves	671	0.15%	963	0.18%	43.52%
Profit	3,401	0.74%	6,108	1.15%	79.59%
Prior years' result	(4,012)	(0.88%)	(903)	(0.17%)	(77.49%)
Interim dividends	-	-	-	-	-
Minority interest	-	-	-	-	-
TOTAL LIABILITIES	454,895	100.00%	532,487	100.00%	17.06%

Source: Annual report of banking entity

(*) Information of interest relates to post occupied by individuals prior to 30 June 2007

Consolidated memorandum accounts of BancSabadell d'Andorra, SA as of December 31, 2005 and 2006

(Thousands of Euros)	<u>2005</u>	<u>% of total</u>	<u>2006</u>	<u>% of total</u>	<u>Var. (%) 05-06</u>
Contingent liabilities	26,088	3.01%	26,424	2.45%	1.29%
Commitments and contingent risks	61,045	7.04%	92,071	8.53%	50.82%
Future operations	111,546	12.87%	152,882	14.17%	37.06%
Securities deposited and others held in custody	652,878	75.32%	787,989	73.04%	20.69%
Other memorandum accounts	15,262	1.76%	19,521	1.81%	27.91%
Total	866,819	100.00%	1,078,887	100.00%	24.47%

Source: Annual report of banking entity

Consolidated income statements of BancSabadell d'Andorra, SA for the years ended December 31, 2005 and 2006

(Thousands of Euros)	<u>2005</u>	<u>2006</u>	<u>Var. (%) 05-06</u>
Interest and similar income	12,442	17,452	40.27%
Interest and similar charges	(7,882)	(11,614)	47.35%
Revenue from variable income securities	5	28	-
FINANCIAL MARGIN	4,565	5,866	28.50%
Commission	5,545	8,169	47.32%
Profits on financial operations	1,562	1,732	10.88%
Other profit on ordinary activities	61	78	27.87%
MARGIN ON ORDINARY ACTIVITIES	11,733	15,845	35.05%
Personnel expenses	(3,319)	(4,115)	23.98%
General expenses	(3,615)	(4,152)	14.85%
Depreciation and provisions	(1,552)	(1,349)	(13.08%)
Provisions for depreciation of assets, net of recoveries	-	-	-
OPERATING MARGIN	3,247	6,229	91.84%
Provisions for loan losses, net of recoveries	130	(138)	-
Provisions for liabilities and charges, net of recoveries	-	-	-
Allowance to provision for general risks	-	-	-
PROFIT ON ORDINARY ACTIVITIES	3,377	6,091	80.37%
Net extraordinary income	24	17	(29.17%)
Losses attributable to minority interest	-	-	-
PROFIT ATTRIBUTABLE TO THE GROUP	3,401	6,108	79.59%

Source: Annual report of banking entity

(*) Information of interest relates to post occupied by individuals prior to 30 June 2007

V.2. OTHER INFORMATION OF INTEREST

Government of Andorra

Ed. Administratiu de Govern - C/ Prat de la Creu, 62-64 – AD500 Andorra la Vella
(Principality of Andorra) Tel. +376 875700

During 2006 until 2 May 2007:

Head of Government:	The Hon. Mr. Albert Pintat Santolària
Minister of Town Planning and Territorial Ordinance:	The Hon. Mr. Manel Pons Pifarré
Minister of Foreign Affairs, Culture and Cooperation:	The Hon. Mr. Juli Minoves Triquell
Minister of Finance:	The Hon. Mr. Ferran Mirapeix Lucas
Minister of Justice and Home Affairs:	The Hon. Mr. Josep Maria Cabanes Dalmau
Minister of Health, Welfare and Family Affairs:	The Hon. Ms. Montserrat Gil Torné
Minister of the Economy:	The Hon. Mr. Joel Font Coma
Minister of Education and Professional Training:	The Hon Ms. Roser Bastida Areny
Minister of Tourism and the Environment:	The Hon. Mr. Antoni Puigdemívol Riberaygua
Minister of Housing, Youth, Higher Education and Research:	The Hon. Ms. Meritxell Mateu Pi
Minister of Sport and Voluntary Work:	The Hon. Mr. Carles Font Rossell
Minister of Agriculture and Natural Resources:	The Hon. Mr. Pere Torres Montellà
Secretary General:	Mr. Esteve Vidal Ferrer
Head of the Government Cabinet:	Ms. Anna Zamora Puigcercós
Head of Protocol:	Mr. Antoni Zamora Puigcercós

Since 2 May 2007:

Head of Government:	The Hon. Mr. Albert Pintat Santolària
Minister of Presidency and Finance:	The Hon. Mr. Ferran Mirapeix Lucas
Minister of Town Planning and Territorial Ordinance:	The Hon. Mr. Xavier Jordana Rossell
Minister Spokesman, of Culture and Higher Education:	The Hon. Mr. Juli Minoves Triquell
Minister of Justice and Home Affairs:	The Hon. Mr. Antoni Riberaygua Sasplugas
Minister of Tourism and Environment:	The Hon. Mr. Antoni Puigdemívol Riberaygua
Minister of Foreign Affairs:	The Hon. Ms. Meritxell Mateu Pi
Minister of Health, Welfare, Family Affairs and Housing:	The Hon. Ms. Montserrat Gil Torné
Minister of the Economy and Agriculture:	The Hon. Mr. Joel Font Coma
Minister of Education, Professional Training, Youth and Sport:	The Hon. Ms. Roser Bastida Areny
Secretary General:	Mr. Esteve Vidal Ferrer
Head of the Government Cabinet:	Ms. Anna Zamora Puigcercós
Head of Protocol:	Mr. Antoni Zamora Puigcercós (**)

(**) Ms. Roser Suñé Pascuet acting as Head of Protocol

(*) Information of interest relates to post occupied by individuals prior to 30 June 2007

Andorran National Institute of Finance
(“Institut Nacional Andorrà de Finances (INAF)”)

Av. Príncep Benlloch, 30, 3r – AD500 Andorra la Vella
(Principality of Andorra) - Tel. +376 808898 – Fax +376 865977

Chairman: Mr. Xavier Jordana Rossell (*)
General Manager: Mr. Carles Salvadó Miras

(*) Chairman of the INAF until 2 May 2007, when he became Minister of Town Planning and Territorial Ordinance. The new Chairman of the INAF is Mr. Modest Baró Moles.

Association of Andorran Banks
(“Associació de Bancs Andorrans (ABA)”)

C/ Ciutat de Consuegra, 16 – Ed. L'illa, esc. A, 2n pis – AD500 Andorra la Vella
(Principality of Andorra) - Tel. +376 807110 – Fax +376 866847

Chairman: Mr. Joan Quera Font
Vice Chairman: Mr. Miquel Alabern Comas
General Manager: Mr. Antoni Armengol Aleix
Deputy Manager: Ms. Clàudia Cornella Durany

Andorran Chamber of Commerce, Industry and Services
(“Cambra de Comerç, Indústria i Serveis d'Andorra (CCIS)”)

C/ Prat de la Creu, 8, Despatx 204-205 – AD500 Andorra la Vella
(Principality of Andorra) - Tel. +376 809292 – Fax +376 809293

Chairman: Mr. Francesc Pallàs Viladomat
General Manager: Ms. Pilar Escaler Penella

Money Laundering Prevention Unit
(“Unitat de Prevenció del Blanqueig (UPB)”)

C/ Prat de la Creu, 8 – AD500 Andorra la Vella
(Principality of Andorra) - Tel. +376 806730 – Fax: +376 828842

Director: Mr. Jordi Pons Lluelles

(*) Information of interest relates to post occupied by individuals prior to 30 June 2007

Association of Consumers and Users
(“Associació de Consumidors i Usuaris (ACU)”)

Placeta Monjó, 2 – AD500 Andorra la Vella
(Principality of Andorra) - Tel. +376 867456 – Fax: +376 861466

Chairman: Ms. Angelina Mas Joaniquet

Andorran Association of Micro, Small and Medium Sized Companies
(“Associació de la Micro, Petita i Mitjana Empresa d’Andorra (PIME)”)

Av. Bra. Riberaigua, 25 – AD500 Andorra la Vella
(Principality of Andorra) - Tel. +376 810050 – Fax: +376 824344

Chairman: Mr. Marc Aleix Tugàs
Secretary General: Mr. Claude Benet Mas

Andorran Business Confederation
(“Confederació Empresarial Andorrana (CEA)”)

C/ Prat de la Creu, 59-65, esc. B, 2n pis – AD500 Andorra la Vella
(Principality of Andorra) - Tel. +376 800020 – Fax: +376 800024

Chairman: Mr. Xavier Altimir Planes
Director: Ms. Conxita Mora Jordana

Andorran Institute of Economists
(“Col.legi d’Economistes d’Andorra (COEA)”)

C/ Bonaventura Armengol, 15 – AD500 Andorra la Vella
(Principality of Andorra) - Tel. +376 807807 – Fax: +376 807817

Dean: Mr. Roland Destrée Grimaldi
Secretary: Mr. Xavier Prats Martínez

University of Andorra
(“Universitat d’Andorra (UdA)”)

Plaça de la Germandat, 7 – AD600 Sant Julià de Lòria
(Principality of Andorra) - Tel. +376 743000 – Fax: +376 743043

Vice-Chancellor: The Hon. Mr. Daniel Bastida Obiols

(*) Information of interest relates to post occupied by individuals prior to 30 June 2007

