

ANDORRA

and its Financial System 2010



ASSOCIACIÓ DE BANCs ANDORRANS

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and its Financial System

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PRESENTATION

After a year marked by the uncertainty and instability generated by the international financial crisis and the general downturn in the worldwide economy and labour market, 2010 has been a year of caution and austerity. Worldwide gross domestic product (GDP) is up 5%. However, the differences between emerging economies and advanced economies are evident as the former have experienced significant growth whilst the latter, despite their reduction in activity being lower than expected, have continued to display moderate growth with high levels of unemployment.

The International Monetary Fund (IMF) forecasts for emerging and developing economies in 2011 point to 6.5% growth, whilst forecasts for advanced economies predict a growth rate of 2.5%. Overall, the IMF's forecasts for the world economy are 0.6 percentage points below the growth rate recorded in 2010. Nevertheless, the risks in terms of economic recovery are significant and it is therefore important to bear in mind that a robust recovery of the world economy will only be assured if various measures are taken to resolve the issues of sovereignty and financial problems affecting developed economies as well as certain measures to mitigate the risks of economic overheating and inflationary pressure in the emerging economies.

Advanced economies such as Japan and United States have experienced growth rates of 4.3% and 2.8%, respectively, in 2010. This has been largely due to the reactivation of consumer spending in both countries, whilst emerging or developing

economies such as China, India and Brazil have grown by 10.3%, 8.8% and 7.5%, respectively, as a consequence of growing world demand.

2010 has been a year marked by a moderate recovery in the economies of most European countries, which, as a whole, have achieved growth of 2.4%. Nevertheless, Germany and Italy have experienced particularly exceptional recovery rates, achieving positive growth of 3.6% and 1.0%, respectively, in 2010, compared to negative growth of -4.7% and -5.0%, respectively, in 2009. According to forecasts, the growth rate of the European economy in 2011 is expected to remain similar to that of 2010 at 2.4%, whilst inflation, on the other hand, is expected to rise to 3.8%.

It is within this economic context that Spain's GDP has continued to register negative growth although this has been 3.5 percentage points lower than the contraction experienced in 2009, resulting in a growth rate of -0.2%. This trend is in contrast to the expansion of the central Euro-zone countries and the northern European economies. However, forecasts on Spain's economic recovery are optimistic as exports and foreign trade are expected to form the mainstays of this change in trend.

The French economy grew by 4.1 percentage points in 2010, registering a growth rate of 1.6%, below countries such as Germany and the United Kingdom and above Italy. France's growth rate in 2011 is expected to remain in line with that of 2010.

During 2010, the Andorran economy has also been profoundly affected by the international economic situation and, particularly, by the economic trends of its neighbouring countries. The main economic indicators of the Principality show certain signs of moderation in the significant downturn experienced in recent years, with low consumer and investor demands, especially in the construction sector and all related sectors, which have continued to suffer the effects of the structural crisis particularly intensely. Other sectors such as those of industry, commerce and tourism have contributed to the creation of wealth for the country although the number of visitors to the Principality has dropped 5.41% in relation to 2009. It should also be taken into consideration that the factors affecting the results of the tourism and commerce sectors go beyond the economic crisis, since these sectors also depend on the overall competitiveness and maturity of their business model. The Andorran Government, together with the sector's main social and business entities, is therefore working to make the tourism options available in the Principality more attractive by offering higher quality and selling emotions, experiences, products and services that set Andorra apart from other tourist destinations around the globe.

In 2009 the Andorran financial system has demonstrated that conservative and prudent management is key to successfully tackling the challenges posed by an uncertain and volatile economic and financial environment. Based on the excellent finan-

cial reputation gained over the years for their sound and rigorous application of international regulations, in 2010 Andorran banks have managed to raise their ordinary margin by almost 3.0% and their average returns on assets and equity are above those of the European banking sector. Profits obtained by the Andorran banks are 0.49% down on those of 2009, mainly due to the increase in transformation costs as a result of the measures taken to prepare the banks to meet future challenges and especially for their international expansion. The high capital adequacy and liquidity ratios of 22.77% and 71.76%, respectively, are also of particular relevance.

During 2010, Andorra has maintained its commitment to establishing itself on an international level as a country with a tax system that is comparable with European Union and OECD countries. It has therefore approved the *Law on company income tax and taxation of income earned from economic activities* as well as the *Law on the taxation of income earned by non-residents for tax purposes*. It should also be noted that since September 2009, 18 bilateral agreements for the exchange of tax information upon prior request have been signed, 17 of which have already been ratified and 13 of which have already entered into force.



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 Riber de la Ribera River meets with the Valira River (838 m) and its highest point is the peak of Coma Pedrosa (2,942 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 between the months of October and April and rain falls mainly in spring and autumn. Water is one of the most important natural resources, allowing for the exploitation of hydroelectric energy and thermal activities.

In 2010 Andorra had a **population** of 85,015, 39% with Andorran nationality, 31% with Spanish nationality, 15% with Portuguese nationality, 6% with French nationality and 1% with British nationality. The remaining 8% of the population comprises more than 22 different nationalities, in addition to those stated above.

As can be observed in the graph below, an analysis of the population in 2010 by age group reveals that, for both men and women, the age group 30-49 years represents the highest concentration of population. Data from previous years also shows that the population distribution has followed the same trend for several decades, whereby the highest concentration is found among people of a working age. This concentration reflects the reality of the Andorran labour market since a high percentage of the active population comes from outside Andorra due to the shortage of internal human resources. These workers do not usually form part of a stable family unit resident in the country, and they therefore return to their country of origin when they reach retirement age. [\[graph 1\]](#)

Andorran nationality can be acquired in different ways and in the case of foreigners who marry Andorrans, it is granted provided that they can prove uninterrupted residence in Andorra for a prior period of three years. Other foreigners who have lived for at least twenty years in Andorra may also apply for Andorran nationality. The Andorran Constitution does not allow dual nationality.

Foreigners exceeding the age of 18 who wish to reside in Andorra without employment must obtain a **passive residency** authorisation from the Ministry of Home Affairs. This authorisation is governed by the Law modifying 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 twenty 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. The residency period for Spanish and French citizens is lowered to ten years due to the application of the “Trilateral Agreement” relating to the entry, circulation, stay and settling of these nationals. The residency period is also lowered to ten years for Portuguese citizens in accordance with the “Bilateral Agreement” relating to the entry, circulation, stay and settling of these nationals.

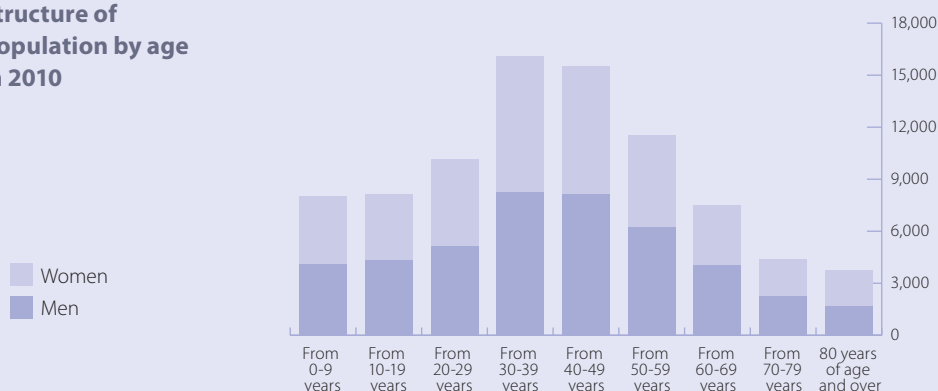
Andorra’s educational system is multilingual and based on a plural and mixed structure, as public education is available in three different systems: Andorran, French and Spanish and private education is also available in a school which follows the Spanish system. Students who wish to continue into higher education can choose between remaining in Andorra and following professional training or university studies through the degree courses offered by the University of Andorra or pursuing their studies abroad. The majority of Andorran students who choose the latter option move to the neighbouring countries of France and Spain. The University of Andorra, founded in July 1997, offers classroom-based, virtual and post-graduate courses. Also, and as a consequence of the new law on foreign investments, the educational institution “La Salle” plans to open a new university in Andorra (La Salle-Andorra Open University) which will offer on-line and semi-distance courses in Technology and Social Sciences.

As shown below, 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. [graph 2]



[graph 2]

Structure of population by age in 2010



Source: Statistics Department - Andorran Government

[graph 1]

The surface areas of the seven parishes and their population in 2010 are as follows: [graph 3]

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

From Spain:

Madrid 600 km
Barcelona 210 km

From France:

Paris 900 km
Marseille 532 km
Toulouse 196 km

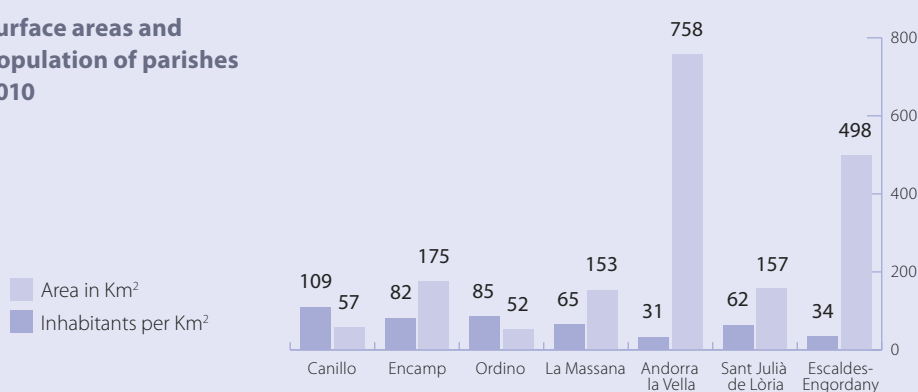
Andorra is connected by public and private transport to the main cities of the neighbouring countries.

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

The nearest airports are in Toulouse and Perpignan (France) and Barcelona, Girona and Reus (Spain). Alguairé Airport (Lleida, Spain) also entered into service during the first quarter of 2010.

The **Andorran Telecommunications Service** (Andorra Telecom) provides other kinds of communication by land line and mobile telephone (GSM and 3G), basic internet and broadband (ADSL), optical fibre (FITH) and digital terrestrial television (DVB - T), GPRS, telegraph, telex and fax.

Surface areas and population of parishes 2010



(Km²) Source: Statistics Department - Andorran Government

[graph 3]

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 Count of Foix who wanted to recover what previously belonged to him. 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*, signed over 700 years ago, represented Andorra's independence.

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

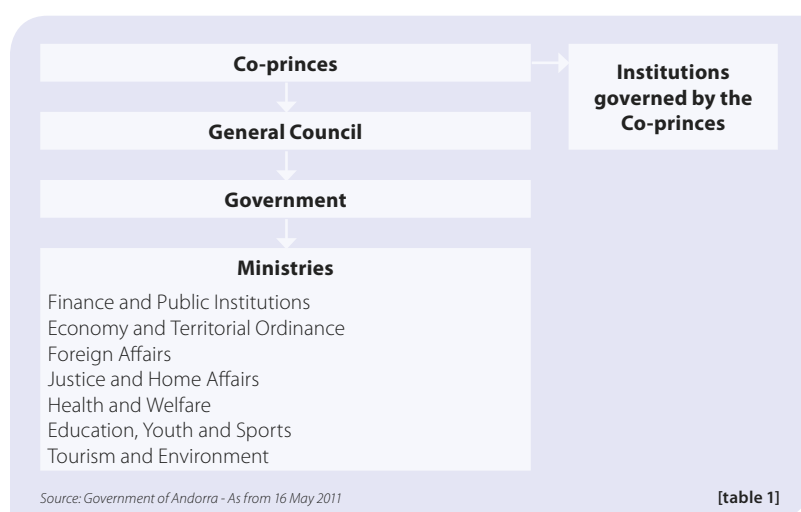
At the beginning of the 1980s it was obvious that Andorra's institutions needed to be reformed. As a result of the separation of powers in 1981 an agreement was drafted between the co-princes, with the creation of the Andorran Government, known as the Executive Council, and the Head of Government. In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

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.

I.3. Andorran Institutions

Since 28 April 2011 Andorra has had the following **political parties** with parliamentary representation: *Demòcrates per Andorra*, a coalition formed by several parties, one of which is the *Partit Liberal d'Andorra* (affiliated to the International Liberals) and the *Partit Socialdemòcrata* (affiliated to the International Socialists).

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.

The **Citizens' ombudsman** is an institution which 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. The Citizens' ombudsman 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.

The **Andorran Data Protection Agency**, created by the *Andorran Data Protection Act 15/2003 of 18*

December 2003, is a public institution with its own legal status and full capacity to perform its own functions to exercise authority over the treatment of personal information provided by individuals, private entities and Andorra's public administration. It is an independent authority which performs its functions objectively and in full independence from the Andorran public entities. Its objective is to ensure respect for the fundamental rights of individuals in all automated or manual processes involving an exchange of personal information, with particular importance placed on privacy protection rights.

Other Institutions

Andorran legal bodies. The mission of the legal bodies is to ensure all public authorities comply with the law, control the legality of administrative activities, and offer all citizens effective protection when exercising their rights and defending their legitimate interests.

An organisational chart of the Andorran legal system is as follows: [\[table 2\]](#)

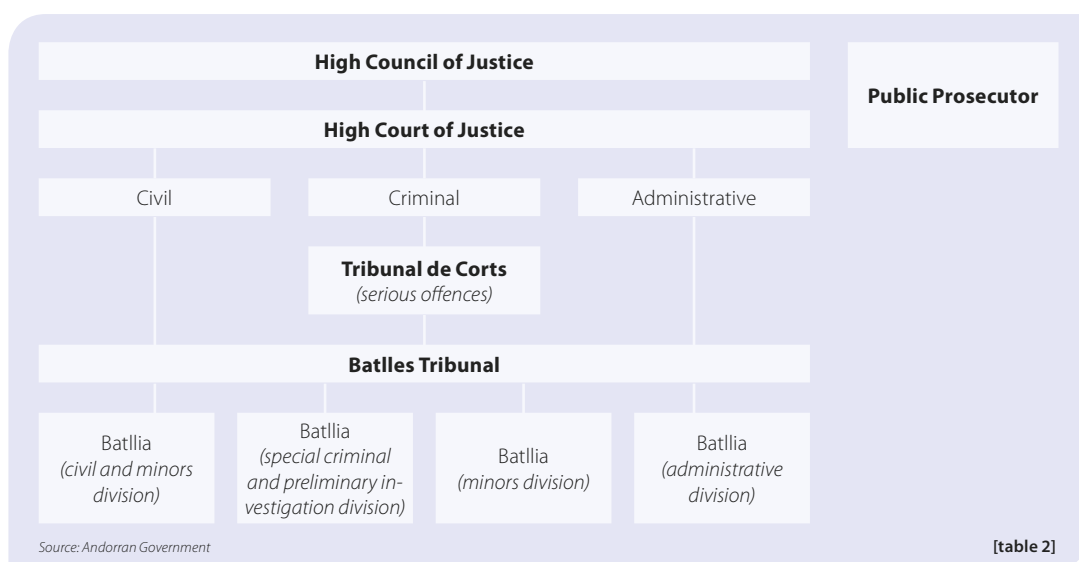
The Constitutional Tribunal is the highest Constitutional body and its rulings bind public powers and individuals. It approves its own regulations and it is solely subject to the Constitution and the Qualified Constitutional Tribunal Law when exercising its functions. It consists of four constitutional magistrates, one for each of the co-princes, and two for the General Council, each with a mandate of eight years, which cannot be renewed for consecutive periods.

The **High Council of Justice** is the body representing, governing and administering the judicial system which oversees the independence and

adequate functioning of Justice. It is comprised of five appointed members, one for each co-prince, one for the Syndic general, one for the Head of Government and one for the magistrates and *batlles* (judges specific to Andorra). 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. It consists of members appointed by the High Council of Justice at the request of the Government, with renewable mandates of six years.

The **High Court of Justice** has the highest level of authority in the Principality's legal system and



[table 2]

consists of a president and eight magistrates appointed by the High Council of Justice. It consists of a civil court, a criminal court, and an administrative appeals and social security court.

The **Tribunal de Corts** is responsible for hearing cases in the first instance regarding serious offences and enforcing sentences and other rulings. This tribunal hears appeals against criminal sentences for minor criminal offences passed by the *Batlles* Tribunal, and for breaches of the criminal law passed by the *batlles* (judges specific to Andorra). Through its president it performs prison-related du-

ties and enforces sentences. It currently consists of a president, a vice president, a magistrate and two assistant magistrates.

The **Batllia of Andorra** hears in the first instance civil, criminal and administrative cases and consists of the *batlles* (judges specific to Andorra), judicial secretaries and a President. The President of the *Batlles* Tribunal is also the President of the *Batllia*. As a collegiate tribunal, the *Batlles* Tribunal has three divisions: civil, criminal and administrative, plus a preliminary investigation division.

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 **Andorran Financial Intelligence Unit** (UIF) is an independent body created to foster and coordinate measures to prevent money laundering and terrorist funding. This unit was created in 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 and nine special recommendations from the FATF (Financial Action Task Force). The UIF (called the Laundering Prevention Unit (UPB) until 21 April 2009) was created in 2000.

The **Corruption Prevention Unit** forms part of the structure and function of the ministry with presidency powers, currently the Ministry of Finance and Public Institutions. This unit has powers regarding anti-corruption measures and to this end promotes and coordinates all the central government's governance activities. The Decree governing the functioning of this unit came into force on 24 January 2008.

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 a range of corporate advisory services. All businesses, industries and liberal professionals inscribed in the Government's Registry have to register in the census of the Andorran Chamber of Commerce, Industry and Services.

Andorra Desenvolupament i Inversió (ADI) is a quasi-public corporation, which was created in 2009 to give stability to projects supporting entrepreneurs and innovation and to act as the agency in charge of promoting the economy in the Principality. At domestic level, ADI's objective is to render support to local entrepreneurs and help Andorran companies wishing to grow and expand internationally improve their competitiveness. At an international level, ADI's objectives are to position and promote Andorra as an open, modern and attractive economy for creating new companies that offer a high level of added value.

Andorra Turisme is a public company created on 21 September 2007, which commenced its activity on 1 March 2008 and which depends on the Ministry of Tourism and Environment. The aim of this company is to improve the competitive position of tourism in the Principality, creating and promoting tourist products by applying quality, innovation and knowledge management.

The **Institute of Andorran Studies** (IEA) was inaugurated with its own legal status, and is presided by the Minister for Education. It is a centre of research in all those areas which could be of interest to the Principality such as biology, natural risks, law, anthropology and history. Its scope of activity is defined by its Management Committee within a long-term plan.

The **University of Andorra** (UdA) is a public institution established in 1997 which offers classroom-based, virtual and postgraduate courses. Its classroom-based courses include education sciences, business administration, nursing and IT, as well as professional postgraduate courses in administration and finance and computing management. First and second cycle virtual courses can also be followed. The university also offers the possibility to take postgraduate courses and refresher courses aimed at professionals from different fields, which guarantee them continued and innovative training.



II ANDORRAN LEGAL FRAMEWORK

II.1. Mercantile framework

- The **registered offices of Andorran companies** must be located in Andorra and these companies must have been incorporated in accordance with the *"Andorran Companies Law" 20/2007 dated 18 October 2007*. This Law establishes the following legal forms for companies: public liability company (*societat anònima (SA)*) and private limited liability company (*societat de responsabilitat limitada (SL)*), both of which can be solely owned.

It should be highlighted that by virtue of the articles of *Law 20/2007*, governing the inscription of various deeds and contracts, the Mercantile Registry contributes towards increasing the security of mercantile legal transactions. The actions of the Mercantile Registry are regulated in the *Decree dated 20 February 2008 approving the Regulation governing the Mercantile Registry*, which was subsequently amended by the *Decree dated 26 March 2008*.

The companies that, on 22 November 2007 when *Law 20/2007* came into force, had not been or were not incorporated as public or private limited companies, with activities involving the production or exchange of goods or services through the market are considered as general partnerships and are governed by the provisions of the Andorran Mercantile Company Regulation approved by the General Council on 19 May 1983. In general partnerships, all partners have unlimited joint and several responsibility to honour the company's debts.

A foreign company can relocate its registered offices to Andorra and acquire Andorran nationality provided that it complies with all the legal provisions established by legislation prevailing in Andorra and it is permitted under the legislation

of the country of origin for the purpose of retaining its legal form.

Nonetheless, on 8 April 2008 the General Council approved the new *"Law on Foreign Investments in the Principality of Andorra" 2/2008* which will come into force on 7 November 2008. The framework of this new law establishes immediate access to foreign capital in certain sectors of the economy, subsequent to authorisation from the Andorran Government in the event that the investment is equal to or exceeds 50% of share capital, such as the audiovisual sector, e-commerce, aesthetic medicine and wellness, training, industrial production based on new technologies and research and development. In contrast, strategic sectors will not have access to foreign capital for the time being. The Government will have to present the General Council with its proposals for access to new sectors within two and six years.

For the remaining sectors and activities, current legislation governing foreign investments establishes that the capital of Andorran companies must be comprised of at least 51% Andorran capital (67% in accordance with legislation prior to 7 November 2008). 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" relating to the entry, circulation, residency and establishment of Spanish and French citizens in Andorra. This period is also reduced to ten years for Portuguese citizens as stipulated in the "Bilateral Agreement" which establishes the main principles relating to the entry, circulation and residency of Portuguese citizens in Andorra as well as Andorran citizens in Portugal.

This legislation is not applicable to Andorran banking entities that are governed by specific legislation regulating the financial sector, especially the *"Law governing the legal regime of banking entities and basic administrative regime for entities operating in the financial system"*, dated 13 May 2010.

Law 2/2008 of 8 April 2008 was amended by *Law 36/2008 of 18 December 2008* which clarifies queries arising from the publication of the first law regarding the interpretation of the procedure for the authorisation of direct foreign investments and the degree of liberalisation thereof. This law entered into force on 22 January 2009.

Andorran companies are under the obligation to keep and retain accounting records, prepare and authorise for issue their annual accounts and the proposed distribution of profit within six months from year end, and submit these annual accounts to audit when two of the following circumstances prevail during two consecutive years:

- Total assets exceed Euros 3,600,000;
- Net sales exceed Euros 6,000,000;
- The headcount exceeds 25 employees.

Nonetheless, the audit obligation established by *Law 20/2007* will not apply until the Audit Law has been approved.

According to the “*Company Accounting Law*” 30/2007 which has come into force for financial years starting 1 January 2009 and thereafter, Andorran mercantile companies and individuals that perform business or professional activities have to keep accounting records that are ordered and appropriate for the nature and size of their business in accordance with International Accounting Standards and International Financial Reporting Standards, as established in the General Chart of Accounts that the Andorran Government published on 30 July 2008 and which entered into force on 1 January 2009.

Furthermore, in accordance with prevailing legislation, companies must present a certificate approving the annual accounts and the proposal for the distribution of profits or application of losses, along with a copy of the annual accounts and auditors’ report, where necessary, within a month from approving the annual accounts. This obligation will be applicable for years starting 1 January 2009 and thereafter.

The “*Company Accounting Law*” 30/2007 was amended by *Law 8/2010 of 22 April 2010* to establish the disciplinary regime to guarantee compliance with the accounting obligations established in *Law 30/2007* as well as extend the threshold for adopting this simplified accounting regime to Euros 250,000 of annual turnover, thus allowing a larger number of businesses to adhere to this regime.

On 28 December 2010 the *Decree approving the Regulation governing the preparation of consolidated annual accounts* was enacted, developing the chapter established in *Law 30/2007* regarding the scope of consolidation.

- 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” and “Bilateral Agreement” French, Spanish and Portuguese citizens, respectively 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. In its session held on 8 May 2008, the General Council approved a new law governing the activity of liberal professionals.
- The objective of the “**Law governing foundations**” dated 12 June 2008 is to respond to social demand for regulating private foundations of public or social interest, taking into consideration the legal tradition and experience of neighbouring countries. This law entered into force the day after it was published in the Andorran Official Gazette, except for article 1 of chapter II, which did not enter into force until 12 December 2008.

II.2.

Labour framework

- A Social Security system was created in Andorra in 1968 and covers illness and old age and is administrated by the **Caixa Andorrana de Seguretat Social (CASS)**. On 3 October 2008 the General Council approved the “*Social Security Law*” 17/2008 which entered into force on 1 November 2009. One of the main changes as a result of this new legislation is that adherence to the CASS will not only be obligatory for wage-earners and pensioners, but also self-employed individuals. This new system also includes signifi-

cant improvements to the social benefits system and establishes new parameters for social security contributions. Social security contributions for wage-earners will, therefore, range between 5.5% and 10.5% of their salary and contributions of 14.5% will be made by employers. Self-employed individuals will contribute between 20% and 25% of the average total monthly salary of wage-earners who adhere to the CASS during the immediately preceding calendar year.

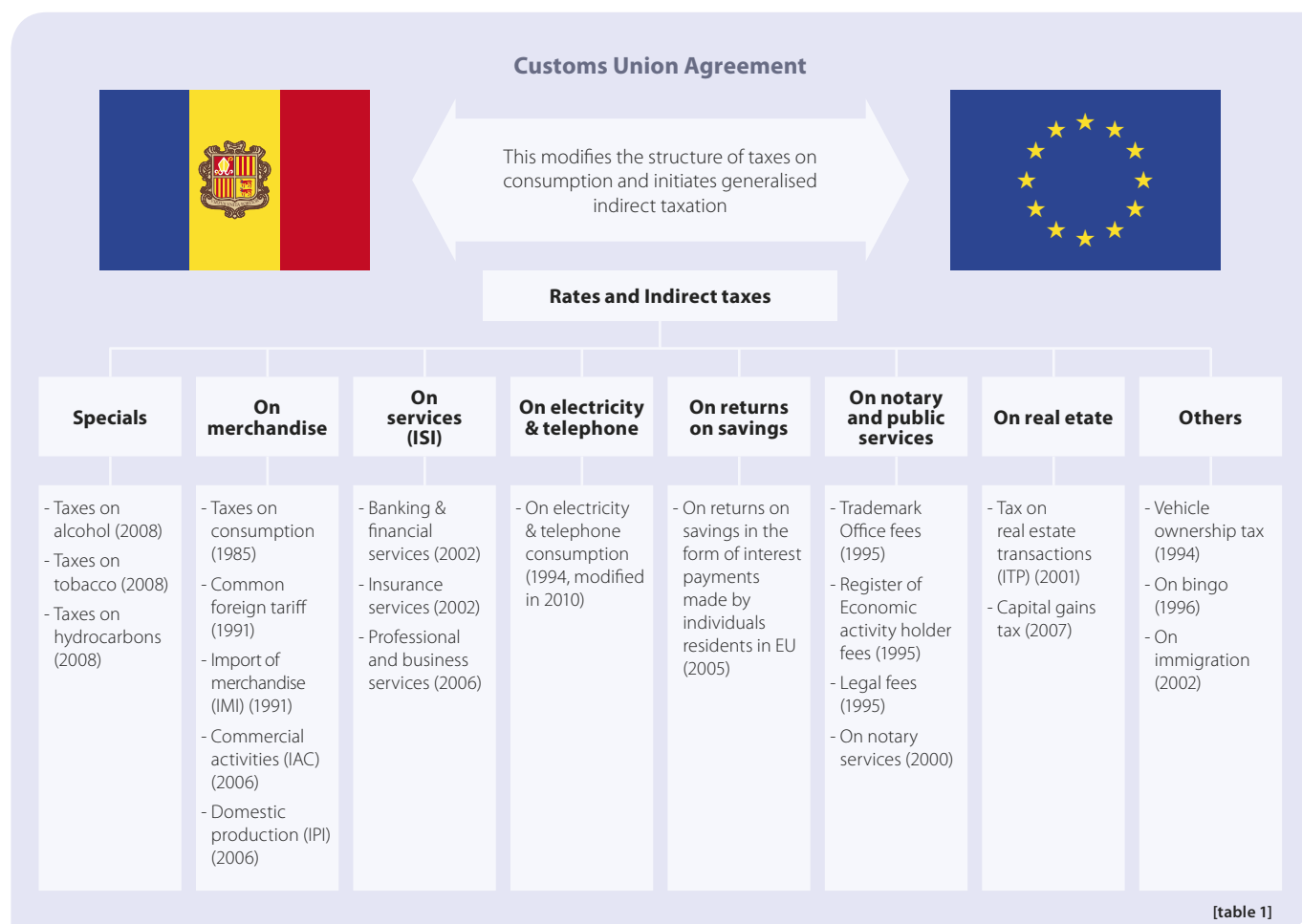
■ **Law 34/2008 governing health and safety in the workplace** dated 18 December 2008 regulates the general principles for protection already established in the majority of European countries. The aim of this law is to prevent labour risks and protect the health and safety of workers by eliminating or mitigating any risk factors and improving information, consultations, participation and the training of workers and their delegates, as well as introducing general guidelines for applying the aforementioned principles and measures for promoting an improvement in health and safety in the workplace. This law entered into force on 18 March 2009.

■ The objective of the "**Law governing the labour relations code**" dated 18 December 2008 is to aggregate in a single legal text, the issues already regulated in *Law 8/2003 of 12 June 2003 governing employment contracts*, including matters not previously dealt with, such as the regulation of collective representation rights and the entitlement of workers to call meetings and collectively

negotiate collective labour agreements. This law entered into force on 18 March 2009.

■ The objective of the "**Qualified trade union Law**" dated 18 December 2008 is to regulate trade union rights and the legal regime of trade union organisations and to establish the requirements for their incorporation, the responsibilities thereof and their representative capacity, including trade union actions. This law entered into force on 18 March 2009.

■ The **Regulation governing welfare benefits** dated 16 February 2011 reduces the term of residency for obtaining welfare benefits to cover basic needs and raises the level of legal security established to date by the *Regulation governing welfare benefits of 23 June 2010*. These benefits are extended to those workers who have become unemployed involuntarily and who undertake to participate in professional training initiatives and accept any appropriate job offers they may receive.



II.3.

Tax system

Introduction

In our recent history, the approval of the Customs Union Agreement between the Principality of Andorra and the European Economic Community (1990) and subsequently the Constitution (1993), provides a new scenario for the developing Andorran tax system.

The Andorran tax system is currently based on indirect taxation, but is in the process of being modified to establish Andorra on an international level as a country with a tax system that is comparable with European Union and OECD countries.

Central Government taxes

The “*Law governing taxation*” of 19 December 1996 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

Consequently, in 2010 the “*Law on company income tax*” and the “*Law on taxation of income earned from economic activities*” were passed as well as the “*Law on the taxation of income earned by non-residents for tax purposes*”, which came into force on 1 April 2011. In the Principality of Andorra no general direct taxation exists on non-professional income earned by residents and company income tax and taxation of income earned from economic activities will not come into force until the “*Law on value added tax*” is published in the Andorran Official Gazette.

govern taxation, in the absence of a specific law to the contrary.

As mentioned above, the Andorran tax system is currently mainly governed by the indirect taxation system summarised in the table below: [table 1](#)

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 profes-

sionals 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)*")

The tax on commercial activities entered into force on 3 November 2004 and was amended on 27 October 2006. 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 (IPI) to which the commercialised goods are subject.

Details of the equivalence charges applied for each tax rate are as follows: [\[table 2\]](#)

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

[table 2]

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. This law was subsequently amended by *Law 16/2004 dated 3 November 2004*. 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*", amended by *Law 3/2005 dated 21 February 2005*, and the "*Law governing indirect taxation on the rendering of insurance services*" which became applicable as of 13 June 2002, were approved. In accordance with these Laws, the rendering of banking and financial services is taxed

at 12% 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.

In addition, on 1 January 2006 the "*Law 17/2004 dated 3 November 2004 governing 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. Should services be rendered by a business person or professional established outside Andorra, and the target or beneficiary of the taxed service is a business person or professional established in Andorra, it is the target or beneficiary of the service rendered which is under the obligation to pay tax. 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).

Special taxes

The "*Law governing special taxes*" dated 20 November 2008 was created to unify indirect taxation on imports with the neighbouring countries of the Principality. This law establishes a tax on certain special products such as alcohol, tobacco and hydrocarbons, which generate social costs which are mostly borne by the State and then society in general.

On 22 April 2010 "*Law 11/2010*" was approved amending "*Law 27/2008 governing special taxes*" dated 20 November 2008. This amendment introduces some slight changes to *Law 27/2008* with the aim of improving the management of special taxes, whilst not increasing the tax burden on operators who use hydrocarbons and tackling the issue of illegal

trafficking which may be encouraged by price differences.

On 15 February 2011 Law 3/2011 was approved *modifying the general consumption tax tariff*. This law

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 household taxes *Foc i Lloc* (meaning hearth and home).

modifies article 9 of *Law 11/2010* with the aim of regulating differences in tobacco prices in relation to neighbouring countries deriving from the tax rises in those countries.

- 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.

Taxation on real estate

Taxation of real estate transactions (“*Impost sobre transmissions patrimonials immobiliàries (ITP)*”)

The “*Law governing tax on real estate dated 29 December 2000*” was modified by *Law 7/2006 dated 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 also levied on the transfer of shares or other equity investments in mercantile companies, and from the creation or transfer of rights over these shares or other equity investments when at least 50% of the company’s assets comprise real estate and when the acquiring party obtains one fifth of the company as a result of the transfer of shares or other equity investments or creation or the 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%.

Nonetheless, article 4 of this law establishes a number of exemptions from this tax when certain conditions are fulfilled. The main change resulting from *Law 7/2006* is the introduction of an exemption for the acquisition of a first home when certain personal and economic circumstances prevail.

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 law was amended on 3 October 2008 with the approval of *Law 19/2008* which entered into force on 28 October 2008.

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 transfer of shares of mercantile companies is also subject to this tax, as is the concession or transfer of rights over these shares, when at least 50% of the company’s assets are comprised of properties and that as a result of the transfer of shares or the concession or transfer of rights thereon, the acquirer holds more than a fifth of the company’s capital.

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. On 20 June 2007 the Decree modifying model 420: "Declaration of taxation on savings" included as an appendix to the aforementioned *Law 11/2005*.

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 was 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 EU countries where the beneficial owners reside. Income from pension and insurance contracts is exempt from the application of the Agreement.

Taxation of income earned by non-residents for tax purposes

Law 94/2010 of 29 December 2010 on the taxation of income earned by non-residents for tax purposes taxes the income earned on economic activities conducted in Andorra by individuals or entities not resident for tax purposes and the income earned on employment by individuals not resident for tax

purposes, provided that these individuals do not adhere to the Principality's social security system or liable to pay company income tax or tax on the economic activities of individuals. This tax is applicable to income generated as from 1 April 2011.

Company income tax and tax on economic activities

With the entry into force of *Law 95/2010 on company income tax dated 29 December 2010*, the "*Law on the Register of Economic activity holder tax*" dated 20 December 1995 is revoked. This Law unitarily taxes all income earned by entities resident in the Principality of Andorra for tax purposes which conduct an economic activity. A tax rate of 10% is applied to those taxpayers subject to this tax and a rate of 0% is applied to those institutions regulated by "*Law 10/2008 regulating collective investment undertakings*".

"*Law 96/2010 on taxation of income earned from economic activities*" dated 29 December 2010 taxes gains obtained by individuals resident in the Principality of Andorra for tax purposes who conduct eco-

nomic activities but have not formed a company to perform these activities. A tax rate of 10% is applied to individuals liable to pay this tax.

Economic activities include leasing activities and the purchase and sale of property, taking into account the elimination of double taxation in Andorra and that the tax payable on these activities is therefore reduced by any *Comuns* tax on rental income or capital gains tax on real estate paid by the taxpayer.

These laws and the taxes regulated by them will not be applicable until the "*Law on value added tax*" is published in the Andorran Official Gazette, which is expected during 2011.

Agreements for the exchange of tax information upon prior request

Following the Paris Declaration of 10 March 2009, the Principality implemented a process for adopting OECD international standards, whereby it has signed various agreements for the exchange of tax information upon prior request. The declaration described the Principality of Andorra's intention to begin a process of legislative reform to modify the bank's code of secrecy regarding the exchange of information in compliance with article 26 of the OECD Convention. A standardisation process was subsequently initiated to bring Andorra into line with other OECD countries.

"Law 3/2009 for the exchange of tax information upon prior request" dated 7 September 2009

As announced in the Paris Declaration, on 7 September 2009 the General Council of Andorra approved the *"Law for the exchange of tax information upon prior request"*.

The standard, on the basis of which the Principality signed subsequent agreements on the exchange of information, complies with all the criteria required by the OECD in relation to the exchange of tax information, specifically the criteria stipulated in article 26 of the OECD Model Tax Convention. This article establishes that the exchange of information is necessary for the correct application of the tax convention and for the administration and application of the tax laws of the countries party to the convention.

This legal text establishes a new framework for legal security in the relations between the Principality and other countries regarding the exchange of information and places particular emphasis on key issues related to the mechanisms for ensuring the confidentiality of customers, as follows:

- The request for information must be justifiable and well-founded; guarantees are therefore established for this purpose, such as a limit for obtaining or providing information which the requesting State cannot obtain under its own legislation.
- A notification procedure is implemented granting the possibility to oppose the request for information by means of a duly justifiable appeal to the relevant authority.
- The agreement is not valid retroactively, meaning that the principle prevails whereby no customer information will be provided in relation to situations that predate the date on which each bilateral agreement comes into force.
- Fishing expeditions, i.e. collective and generalised requests for information are prohibited.

- Confidentiality is guaranteed and the level playing field principle (guarantee of equal conditions for everyone) is upheld in relation to other agreements that have been signed previously.

Furthermore, exchanges of information on request, in response to justifiable and well-founded requests, will be effective for fiscal years which commence following the date on which each bilateral agreement comes into force, i.e. after the last notification that the agreement has been ratified by the respective Parliaments, plus an additional period, usually of three months, in the cases for which this period has been established. For example, if an agreement is ratified by the respective parliaments of the countries party to the agreement on 2 June 2010, and there is an additional period of three months, the agreement will come into force on 2 September 2010 and will be effective during the fiscal year 2011, i.e. as from 1 January 2011.

Signing of the agreements for the exchange of tax information upon prior request

Following its ratification of the Law, between September 2009 and November 2010 the Government of Andorra signed bilateral agreements for the exchange of fiscal information upon prior request with 18 countries (the first 17 have already been ratified): Austria (17/09/09), Liechtenstein (18/09/09), Monaco (18/09/09), San Marino (21/09/09), France (22/09/09), Belgium (23/10/09), Argentina (26/10/09), the Netherlands (6/11/09), Portugal (30/11/09), Spain (14/01/10) and lastly with Sweden, Finland, Norway, Denmark, Iceland, Greenland and the Faroe Islands (24/02/10) and Germany (25/11/10).

These signed agreements considerably exceed the minimum 12 agreements required by the OECD and, consequently, in February 2010 the OECD included Andorra within the "group of jurisdictions considered to have substantially implemented the international tax standards". As a result, the OECD, together with the key executive bodies involved in the international relations of the Principality, such as the countries of France and Spain, have highlighted the efforts and commitment of Andorra's institutions in adapting to the new economic order.

To date, signed agreements have entered into force with San Marino, Austria, Monaco, France, the Netherlands, Liechtenstein, Spain, Sweden, Finland, Denmark, Portugal, the Faroe Islands and Norway. The entry into force of the tax agreement between Andorra and Spain has led to Andorra's removal from Spain's list of tax havens.

Regulation to develop Law 3/2009 for the exchange of tax information upon prior request

On 23 February 2011 the regulation was approved developing “*Law 3/2009 for the exchange of tax information upon prior request*”, which determines and specifies the requirements that must be met by both foreign authorities and Andorran public authorities within the framework of a request for

information, based on Law 3/2009 and the bilateral agreements applicable. Prior requests for the exchange of information should be presented in writing with the objective clearly stated and generalised requests for information will not be accepted. The regulation also establishes the criteria for processing the requests for the exchange of information which should be formulated and sent to the relevant Ministry of Finance.

II.4. 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 the financing of terrorism and other matters, as described below.

A summary of legislation relating to the financial system prevailing to date 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 and the “**Law regulating the operational functions of the different components of the financial system**” dated 19 December 1996 define the legislative framework regulating professional activities in the financial sector and the operational functions of the different components of the financial system, and are partially modified by “*Law 10/2008 regulating Andorran collective investment undertakings*”, “*Law 13/2010 on the legal regime for financial investment entities and management companies of collective investment undertakings*” and “*Law 14/2010 on the legal regime for banking entities and basic administrative regime for entities operating in the financial system*”. The different components of the financial system are classified in accordance with the prevailing legislation as follows:
 - Operational components.
 - Banking entities.
 - Non-banking financial institutions, in specialised credit.
 - Financial investment entities.
 - Management companies of collective investment undertakings
 - Professional associations in the financial sector.
- Andorran financial system authorities
- Long before the enactment of the “*Law of 27 November 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. This law was promulgated by the Decree dated 9 December 2009 approving the Decree amending the Decree governing the Law regulating mandatory investment coefficients dated 22 August 1994, which established the requirement to maintain 2% of the assets of banking entities in public funds. Debt issues are defined as public funds for the purposes of calculating mandatory investment coefficients. The last public debt issue subscribed by Andorran banking entities on 31 December 2009, regulated by the Decree governing the issue of public debt in the Principality of Andorra dated 23 December 2009 and fully subscribed by the Andorran banking entities is therefore taken into consideration for the purpose of complying with this coefficient.
- The “**Law regulating deposit guarantee reserves and other operational obligations**” dated 11 May 1995 establishes the minimum reserves of shareholders’ equity to guarantee the operational obligations of the entities included in the financial system. All the provisions regulating the regime of deposit guarantee reserves set up by banking entities are revoked by the new legislation governing the *deposit guarantee system*.

■ **“Law for the creation of a deposit guarantee system for banking entities”, dated 2 February 2011.** To date, the *“Law regulating deposit guarantee reserves and other operational obligations”* established mechanisms to guarantee the capital adequacy and stability of the Andorran banking system, but without constituting a direct guarantee to reimburse the deposits made by deposit holders in the event that they became unavailable. The entry into force of this law adapts Andorran legislation to the requirements of the European Union on this matter and establishes a regime that is better designed to protect the robustness and capital adequacy of the Andorran financial system in relation to its deposit holders. The guarantee system is “ex-post” and the maximum amounts covered are Euros 100,000 per depositor and Euros 100,000 per investor for each entity.

■ 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** achieves 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.

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 approved and the legislative framework was completed in 2000 with 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**, giving rise to the creation of the Laundering Prevention Unit (UPB). The UPB became known as the Andorran Financial Intelligence Unit (UIF) on 21 April 2009 and is the independent body for the promotion and coordination of money laundering and terrorism financing 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 prevention programmes.

- An external auditor reviewing the level of compliance with the above points.

On 13 February 2008 the Andorran Government approved the Decree relating to the creation and operations of the Permanent Commission for the Prevention of Money Laundering and Financing of Terrorism in order to improve coordination between all the bodies and ministries involved in preventing and combating money laundering and the financing of terrorism, and to develop a multidisciplinary and global approach and be more effective and flexible when adopting measures. This commission is led by the head of the UIF and comprises representatives from the Presidency, Finance, Justice, Home Affairs, Economy, Foreign Affairs ministries and the INAF when dealing with matters affecting the financial system and from the UIF. This commission meets at least once every three months.

On 11 December 2008, *Law 28/2008* was approved, amending the **“Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime” dated 29 December 2000**. This law entered into force on *21 April 2009* and has served to bring Andorran legislation prevailing to date into line with international legislation and regulations, especially relating to the third European directive on this matter. As a result of this new law the UPB is now known as the Andorran Financial Intelligence Unit (UIF). The most significant changes introduced as a result of this legislative amendment have been: the extended scope of parties under obligation, the defining of politically exposed individuals, the defining of rightful owners, the introduction of risk criteria, the obligatory nature of the UIF’s technical communiqués and the explicit prohibition of “screen banks” and anonymous accounts.

On *16 September 2009*, the **modified text on the “Law for international cooperation on criminal matters and the combat against the laundering of money or securities arising from international crime and against the financing of terrorism”** was published.

As a result of the enactment of *Law 28/2008*, the Regulation governing this legislation has been amended. On 20 May 2009, 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 and against the financing of terrorism” was published, thereby revoking the Regulation of the “Law for international cooperation on criminal matters and the combat against the laundering of money” of 31 July 2002. This new regulation describes and develops the prevailing legislation on this matter which comprises organisational and functional aspects of the

UIF and defines the way in which parties under obligation must comply with the law and the procedures that they must follow should a transaction potentially relating to the laundering of money gained from criminal activities be detected. The legislation also stipulates the training which those people who form part of the internal control and communication bodies should have received and refers to the personnel working for these bodies, the duty of professional secrecy, international cooperation, the exchange of information and disciplinary proceedings. This regulation was modified on 25 May 2011 by the Regulation amending 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 and the financing of terrorism" of 13 May 2009.

- 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 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 and against the financing of terrorism"*.

Various amendments have subsequently been made to *Law 9/2005* of the Andorran Criminal Code to adapt it to European and international regulations governing the prevention of money laundering and the financing of terrorism. Some of the most important modifications are listed below:

- On 18 October 2007 Qualified *Law 17/2007* amending *Law 9/2005* governing the Andorran Criminal Code, was approved, which includes a series of reforms to bring the Andorran 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;
- On 20 December 2007 Qualified *Law 29/2007* was approved, amending article 409 of *Qualified Law 9/2005* of 21 February 2005, governing the Andorran Criminal Code on the prevention of money laundering and securities;
- On 3 October 2008 the General Council approved *Qualified Law 15/2008* amending *Law 9/2005* dated 21 February 2005 governing the Andorran Criminal Code. The main reasons for this amendment were the need for certain technical modifications to increase the operative nature of the law and the entry into force of certain international treaties signed by Andorra. This recent amendment has led to the inclusion

of article 366 bis which deals with the crime of "financing terrorism". Consequently, on 12 June 2008 the *"United Nations Convention for the suppression of the financing of terrorism"* signed by the Andorran Government on 10 November 2001 was ratified.

The aforementioned text of the Andorran Criminal Code and the Criminal Procedures Code was published on 24 December 2008.

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 exposed to the risk of money laundering.

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, inter alia, to adequately train all of its employees, has ensured that reports issued by the various international bodies have been favourable. Consequently, Moneyval adopted the first and second progress reports in the third round of mutual evaluation of the Principality of Andorra on 10 December 2008 and 9 December 2010, respectively.

In 2011 the Principality will commence the fourth round of mutual evaluations and has already received an on-site visit from the Moneyval delegation in March 2011. In addition, it has examined most of the FATF recommendations.

The Principality's banking entities are conscious of the fundamental role they play in efficiently eliminating and combating money laundering and the financing of terrorism and have therefore demonstrated their commitment through the electronic platform set up in mid-2009 by the Association of Andorran Banks. This online training platform on money laundering and combating the financing of terrorism includes up-to-date information and both national and international legislation on this matter and was made available to employees of the Andorran banking sector at the end of 2010 and the beginning of 2011. All the banking entities are expected to have commenced and concluded their training during the first half of 2011.

- At an international level, it should be noted that as a result of the regulations established in Andorran legislation against money laundering (1 January 2001), 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 individually entered into this agreement with the

IRS therefore obtaining the status of **Qualified Intermediary (QI)**.

During 2006 both Andorra as a country and the entities forming part of the Andorran financial system renewed their status as *Qualified Intermediary*, which is effective for six years (during which time, the entities will be subject to audits established by the IRS).

On 1 January 2011, the Law on the “Emergency Economic Stabilization Act of 2008” entered into force incorporating new reporting obligations for brokers essentially requiring them to inform their clients *US Persons* and the IRS of the tax income earned by them on financial instrument operations through presentation of model 1099-B. As from 1 January, the tax return is filed on the basis of the earnings generated by variable income operations and shares, irrespective of the origin of the issuer. As of 2012 and 2013 the reporting and declaration obligation will extend to transactions involving investment fund units and debt instruments, respectively.

■ The “**Law regulating the capital adequacy and liquidity criteria of financial institutions**” dated 29 February 1996, subsequently amended on 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 and guarantee the stability and solvency of the Andorran financial system. This Law has been partially amended by Law 35/2010 of 3 June 2010 on the regime for authorising the creation of new operating entities in the Andorran financial system.

■ 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 Chart of Accounts for the financial system, so that it does not become out of date.

Some of these Communiqués make it obligatory to report additional control information, complementing the financial statements to the INAF, every month or quarter, 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 for indirect taxation on banking and financial services rendered**” dated 14 May 2002, 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. Since 1 April 2005 the indirect tax on banking services rendered has risen 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 taxation 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.

■ The INAF issues Technical Communiqués with which entities in the financial sector are obliged to comply.

■ On 4 April 2011 a **Memorandum of Understanding (MoU)** was signed between Andorra and Spain constituting an agreement for a consolidated cooperation in supervisory matters between the supervising authority of the Andorran financial system (INAF) and of the Spanish financial system (Bank of Spain). This agreement establishes the terms of the protocol for the relationship and collaboration between these two authorities. It also enables the supervisory authority of the country of origin to request corporate information and any other information required for the supervision and control of risks of banking groups from the relevant authority of the country where the entity has subsidiaries.

■ The “**Law regulating Andorran collective investment undertakings**” dated 12 June 2008 includes a generic definition of what is understood as investment undertakings in the Principality, regulates its functioning and the distribution of these undertakings abroad, as well as the

distribution of foreign investment undertakings in Andorra. This law entered into force on 17 July 2008.

■ The “**Law governing the legal regime of non-banking financial entities in specialised credit**” dated 30 October 2008 establishes certain economic requirements for the personal, technical and economic bases on which the activity of these entities in the Andorran financial system guarantees the quality and security of management in this system.

■ “**Law 13/2010 on the legal regime for financial investment entities and management companies of collective investment undertakings**”, dated 13 May 2010, defines the purpose of financial investment entities and establishes the type of investment services and auxiliary services they can offer and the type of financial investment entities based on their operating activities. This law also aims to establish the terms to access and exercise this activity and determine the legal regime for management companies of collective investment undertakings.

■ “**Law 14/2010 on the legal regime of banking entities and basic administrative regime for entities operating in the financial system**”, dated 13 May 2010. This law revokes the “*Law regulating the basic administrative regime of banking entities*” dated 30 June 1998 and its aim is to modify the legal regime of banking entities to avoid serious comparisons with other entities in the financial system and also to establish a basic administrative regime for the different operating entities forming part of the Andorran financial system. The requirements demanded of the financial investment entities, which also apply to banking entities when they offer investment services, include the principles established in the EU directive known as MiFID. The aim of these principles is to modernise the financial markets

by adapting them to new needs, reinforce the measures implemented to protect investor interests and adapt the organisational requisites of the entities to guarantee that their organisational structure is adapted to the services they offer. This law also establishes the basis for cooperation in supervisory matters, equipping the INAF with the necessary instruments to exercise its functions and thus guarantee legal security and structural stability in the cooperation policies it shares with supervising bodies from other countries. The standards to be applied to financial transactions performed within the framework of a contractual compensation agreement (“*netting*”) or in relation to the same agreement are therefore regulated. The new legislative framework has led to a significant increase in the interest shown by the International Swaps and Derivatives Association (ISDA) in Andorra in terms of both its members and the organisation itself. Consequently, the ISDA has published its first memorandum on Andorra. This memorandum, which has been available on the organisation’s website since April 2011, describes the main characteristics of the Andorran legislation on derivative operations.

■ The “**Law on the legal regime for authorising the creation of new operating entities within the Andorran financial system**”, dated 3 June 2010. This law aims to establish the legal regime for authorising the creation of new operating entities, thereby overcoming the current situation of status quo being faced by the Andorran financial system in compliance with the requirements of prevailing legislation. A special regime of direct foreign investments is contemplated which will consist of allowing foreign interests in operating entities of the Andorran financial system to account for 100% of their share capital or voting rights, thus significantly opening up the Andorran financial system. To date foreign interests are allowed to account for 51% of share capital.

II.5.

Developments in the financial system's regulatory framework

Andorra is a country in evolution and with a clear projection abroad. This has meant that a series of needs have been created within the country and a new economic framework is being developed to bring the Andorran economy into line with its neighbouring countries. As a result, Andorra has been rapidly and constantly adapting its legislative framework to international standards and it will continue to do so in coming months. The legislative and regulatory framework of the Andorran financial system has also been adapting to international standards

Andorran banking is continuously monitoring the most up-to-date issues such as international regulations and legislation, strategic sector risks, supervisory systems, good practice requirements defined by the Basel Committee, the challenges of ensuring financial stability, the banks' code of secrecy and transparency, new financial and insurance products, as well as ethics, professional practices and corporate governance of the financial system, in addition to other matters of interest to the sector.

During 2010, the Andorran Government has been finalising negotiations on the signing of a Monetary Agreement between the Principality of Andorra and the European Union. These negotiations have culminated in the initialling of the agreement on 10 February 2011 although it is pending signature and ratification by the General Council.

The Monetary Agreement between the Principality of Andorra and the European Union recognises the Euro as the official legal tender of the Principality and grants the right to coinage (*senyoratge*). The agreement is also more comprehensive and comprises:

- the application of European legislation on the protection of the Euro against fraud and falsification, regulations on notes and coins in Euros, the prevention of money laundering and certain European regulations on banking and finance by means of direct transposition or equivalent measures in accordance with a defined schedule.
- the signing of the IOSCO protocol for multilateral agreement on consultations, cooperation and the exchange of information on the securities market.

In broad terms, the Andorran legislation already contemplates certain elements to protect the currency against fraud and falsification, as some aspects were incorporated in the last modification of the Criminal Code, as well as many of the elements regarding the regulation to combat money laundering, the MiFID directive requirements or Deposit guarantee reserves. Nevertheless, the Principality will need to make a significant effort to bring its legislative framework into line with the Community acquis, particularly, in relation to banking and finance legislation. Andorra will therefore have to legislate over the next six years on issues such as capital adequacy to adapt to the requirements of Basel II and III; payment methods, to join SEPA or to adapt the accounting framework of the Andorran financial system to IFRS. The Association of Andorran Banks and operating entities of the financial system have already been working on all these areas, although application of them would require a major overhaul of Andorran legal and financial regulations and an increase in the technical monitoring resources of banking and financial entities on the one hand and the public sector and the INAF on the other.

The potential exchange of information between the bodies supervising the financial system will be restricted exclusively for the purpose of supervising the risks of the financial system and the efficient working of capital markets. The current banks' code of secrecy would be regulated by agreements on the exchange of tax information on demand signed by the Government between September 2009 and November 2010, and which enabled Andorra to be removed from the OECD's grey list of tax havens.

II.6. Evolution of the legal and regulatory framework of the Andorran financial system in an international context

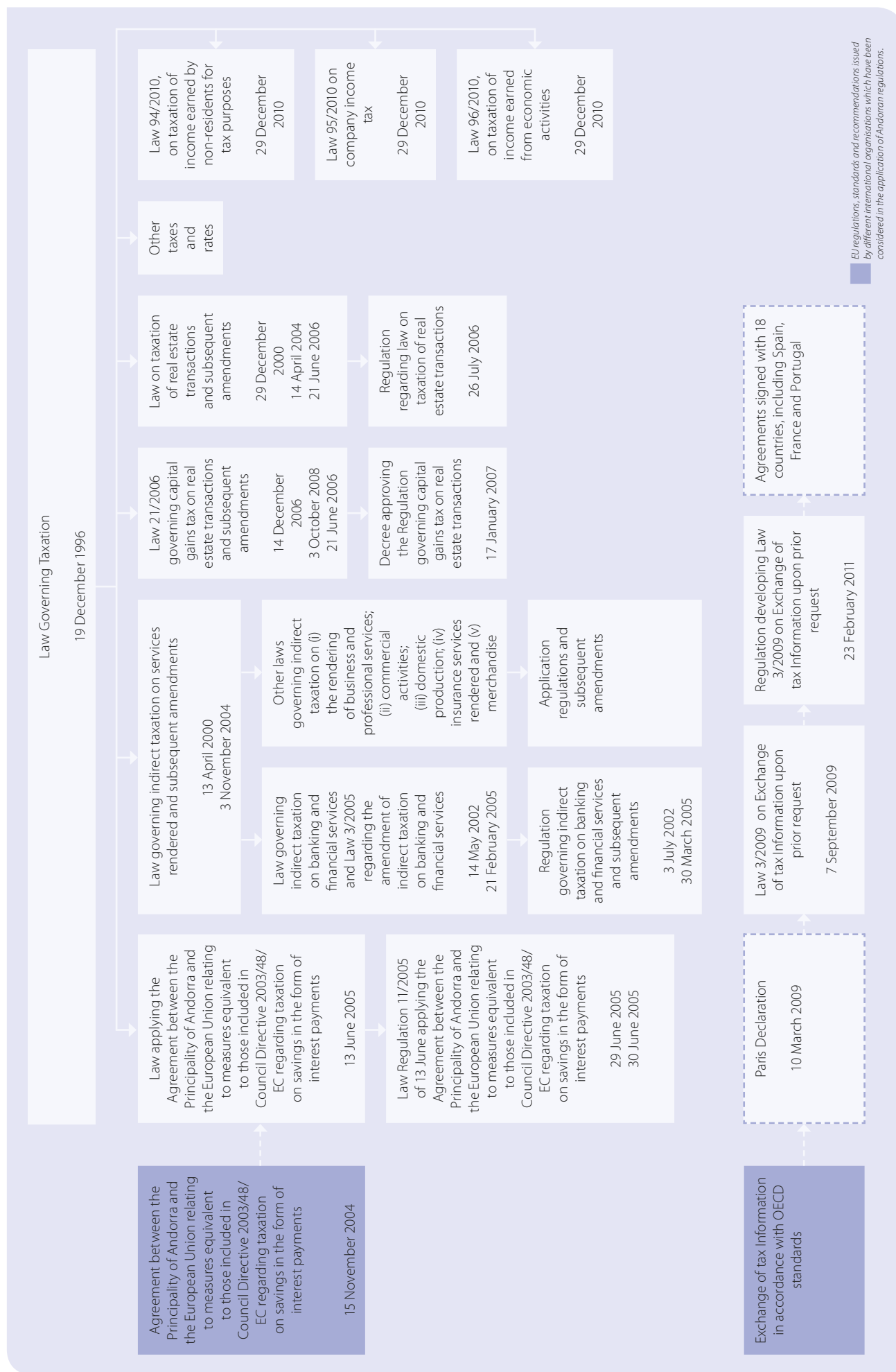
The main regulatory provisions and initiatives governing financial activity in the Principality of Andorra are illustrated below, identifying the regulatory framework and the recommendations of international bodies such as the International Mon-

etary Fund (IMF), MONEYVAL or the OECD, for the purpose of ensuring compliance with best practices and international standards which guarantee the stability of the financial system and the combat against criminal activities.

Evolution of Andorran legislation: corporate and accounting



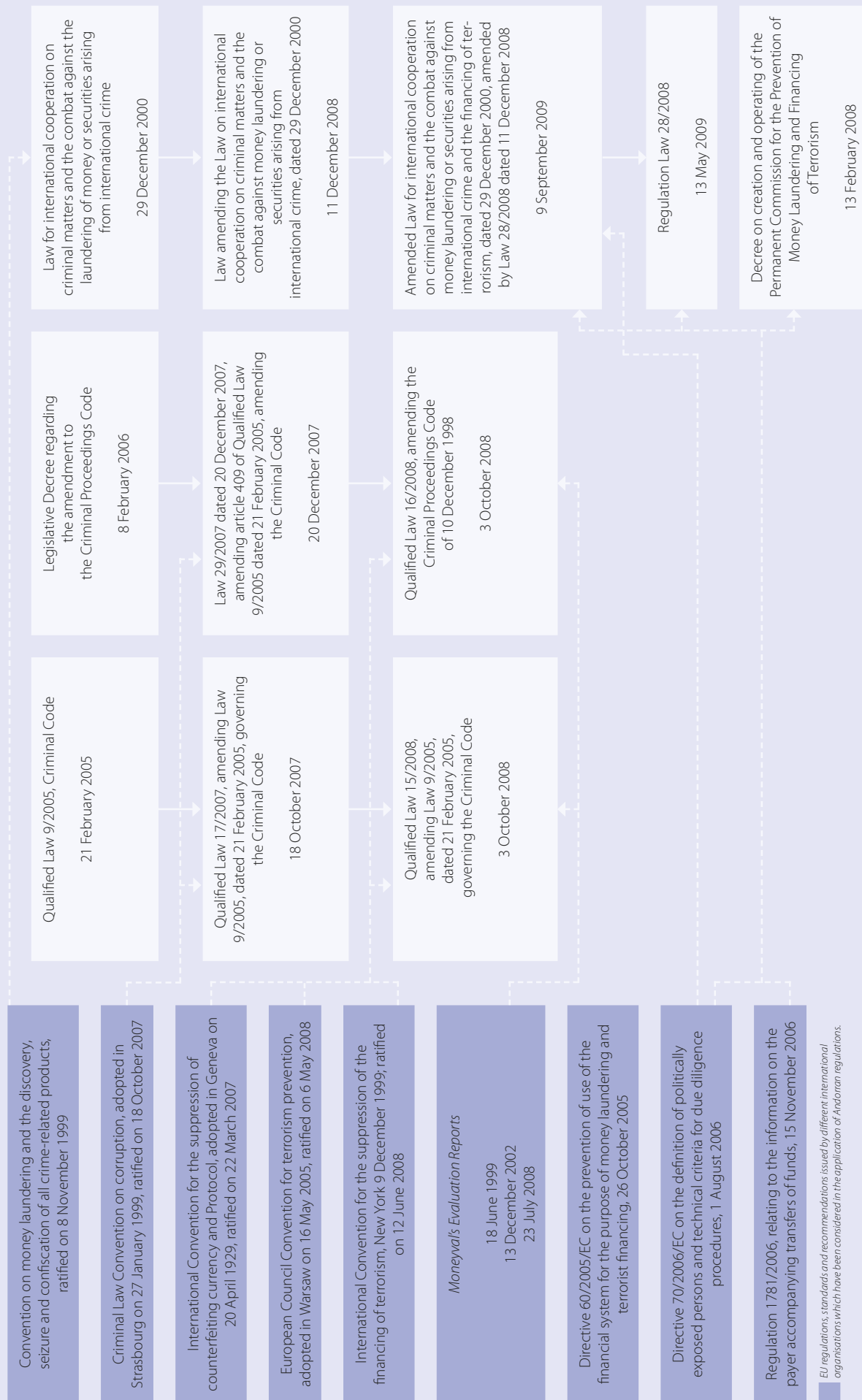
Evolution of Andorran legislation: taxation



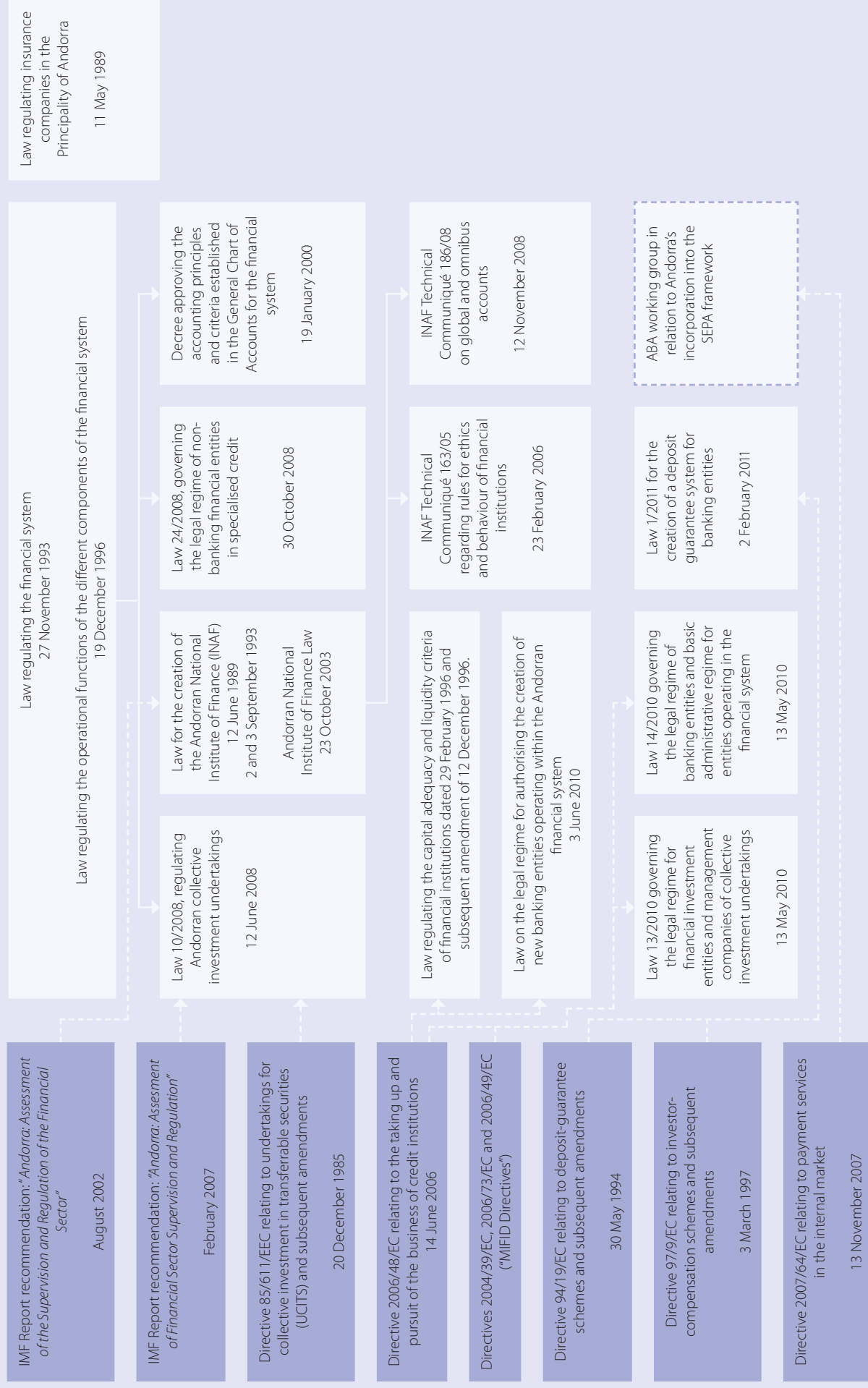
Evolution of Andorran legislation: taxation. Chronology of events

1998		OECD prepares first reports on tax havens.
2000	June	OECD prepares a list of all the non-cooperating countries, comprising 40 jurisdictions, one of which is Andorra.
2000-2003		31 of these countries sign letters of intent to comply with OECD standards and become part of a new "grey list". Andorra remains on the list of non-cooperating countries.
2004		Andorra signs an agreement with the EU on the taxation of returns on savings, an equivalent measure to the exchange of information.
2009	13 February	Visit from Christian Frémont, representative of the French co-prince Nicolas Sarkozy, to request that the Andorran Government adopt measures to facilitate the exchange of tax information.
	10 March	Andorra signs the Paris Declaration, which establishes a schedule of legislative reforms to assist in complying with OECD requirements.
	2 April	The OECD announces that Andorra is now on its "grey list".
	September	Andorra approves the Law on the exchange of tax information upon prior request (07/09/09). Agreements on the exchange of tax information are signed with Austria (17/09/09), Liechtenstein (18/09/09), Monaco (18/09/09), San Marino (21/09/09) and France (22/09/09).
	October	Andorra signs agreements on the exchange of tax information with Belgium (23/10/09), Argentina (26/10/09) and the Netherlands (6/11/09).
	November	Andorra signs an agreement on the exchange of tax information with Portugal (30/11/09).
2010	January	Andorra signs an agreement on the exchange of tax information with Spain (14/01/10).
	February	Andorra signs agreements with Sweden, Finland, Norway, Denmark, Iceland, Greenland and the Faroe Islands (24/02/10).
	November	The OECD includes Andorra within the group of "jurisdictions which have substantially implemented international tax standards". Andorra signs a tax information exchange agreement with Germany (25/11/10) and has now signed a total of 18 agreements.

Evolution of Andorran legislation: money laundering



Evolution of Andorran legislation: financial regulation



UE regulations, standards and recommendations issued by different international organisation which have been considered in the application of Andorran regulations.





III.1. Introduction

Since the emergence of the tourism sector in the 1960s, over the last 50 years Andorra has experienced exceptional growth in its economy, population and income per capita, which has resulted in a modern and prosperous economy. Likewise, the slowdown of the Andorran economy in recent years has drained the economic model which until now has permitted the sustained growth of the Principality's economy.

Andorra's economic model to date has been mainly based on tourism, (skiing and commerce), the financial sector and, to a lesser extent, construction and real estate in recent years. The current economic situation has made it clear that a new economic model based on human capital, competitiveness and knowledge is essential, although this will not necessarily cause the more traditional sectors of the Andorran economy to disappear.

2010 has been characterised by a deceleration in decreasing activity in almost all sectors of the economy and the macroeconomic indicators which we will analyse throughout this chapter show that 2010 has marked a turning point for the Andorran economy, with slight recovery in most economic sectors established at year end and continuing into the first quarter of 2011. It should be taken into account that economic recovery in Spain, which

has considerable influence over the Principality's economy, is currently very weak, with GDP still registering a negative growth rate. Economic recovery in the Euro zone countries has been moderate and disparate, although globally 2010 has seen a certain recovery in economic activity, spearheaded by the emerging countries.

With the aim of modernising the Andorran legal framework and boosting economic activity, the new Companies Act was approved in the Principality in 2007 and the Foreign Investments Law was enacted in 2008, enabling the Andorran economy to gradually open up to foreign capital. In January 2009 the Company Accounting Law came into force which was developed with the approval of the General Chart of Accounts.

In the same year the *Paris Declaration* was signed and the Law for the exchange of tax information upon prior request was approved and Andorra subsequently signed bilateral agreements for the exchange of information with 18 countries, including Spain, France and Portugal, as well as approval of the regulations contained therein, as explained in further detail in chapter "II Andorran Legal Framework" of this publication.

In order to bring the Andorran tax system into line with those of the neighbouring countries and open the Andorran economy up to foreign markets, the Andorran General Council has approved the Laws on income tax and the taxation of income earned from economic activities as well as the Law on the taxation of income earned by non-residents for tax purposes. As explained in the Tax Framework section of chapter "II Andorran Legal Framework", the first two taxes will not be applicable until the "Law on value added tax" is published in the Andorran Official Gazette. The "Law on the taxation of income earned by non-residents for tax purposes" came into force on 1 April 2011.

Throughout 2010 the Andorran Government has continued to promote quality tourism and the appeal of the Principality's commerce sector, the main reasons for visits from tourists, and to search for new economic sectors such as biogenetics and nanotechnologies. In addition, the General Council has approved a law to establish new measures to reactivate and boost economic and social activity.

III.2.

Main economic variables

National income and per capita income

Although Andorra does not have an official estimate of national income, certain private entities make yearly estimates of this macroeconomic indicator. The figures estimated by the Standard & Poor's rating agency in its most recent study on Andorra published in August 2010, show that Andorran national income has stagnated, with a negative impact on the evolution of its per capita income since 2009.

The table below shows that Andorran GDP per capita fell by 7.35% during 2009. This decrease is higher than that recorded by its neighbouring countries but in line with the economic recession experienced globally since the second half of 2008. Given the current economic situation in the neighbouring countries, which account for more than 70% of the tourists to the Principality, and taking into consideration the weak recovery of its GDP in 2010 and estimates for 2011, Standard & Poor's has forecast a moderate stabilisation in the contraction of the Andorran economy for 2010, when the Principality's economy is expected to initiate its recovery and the Andorran GDP is expected to resume its growth. [table 1]

A comparative analysis of the Andorran gross domestic product per capita with the main European countries and the USA and Japan is shown below. The GDP per capita in the Principality, estimated for 2010 based on Standard & Poor's report of August 2010, stands above that of the USA, Japan and Germany and below that of countries such as Luxembourg or Switzerland. [table 2]

Consumer price index

During 2010 the Andorran consumer price index (CPI) has resumed the growth trend which was interrupted in 2008, rising from 0.00% in 2009 to 1.60% in 2010. This reversal in trend has been mainly caused by the rise in the prices of transport, leisure, housing and the majority of staple foodstuffs such as cereals, meat, fish and dairy products.

Based on the year-on-year consumer price indexes shown in the table below and comparing Andorra with other countries, it can be observed that it has registered a lower year-on-year drop in CPI than that of the Euro zone, due to the consumer price indexes reached in countries such as the UK, Spain and Luxembourg. [table 3]

National income and per capita income

	2007	2008	2009	E2010
National income (Millions of Euros)	2,900	2,800	2,800	2,700
Per capita income (Euros)	34,962	36,017	33,369	33,119
Variation in per capita income	10.53%	3.02%	(7.35%)	(0.75%)

Source: Standard & Poor's Report of August 2010

[table 1]

GDP per capita, 2010

Country	Balance
Luxembourg	61,616
Switzerland	40,376
Andorra (*)	33,119
USA	29,885
Japan	27,317
Germany	27,079
France	25,557
Spain	15,225
Portugal	12,239

(*) Estimated information from Standard & Poor's Report of August 2010

(In Euros) Source: IMF

[table 2]

Year-on year CPI 2010

UK	3.39%
Spain	2.86%
Luxembourg	2.78%
Portugal	2.45%
Euro Zone	2.21%
Germany	1.85%
Italy	1.85%
France	1.74%
Andorra	1.60%
USA	1.37%
Switzerland	0.69%
Japan	0.00%
Ireland	(0.19%)

Source: IMF and Statistics Department - Andorran Government

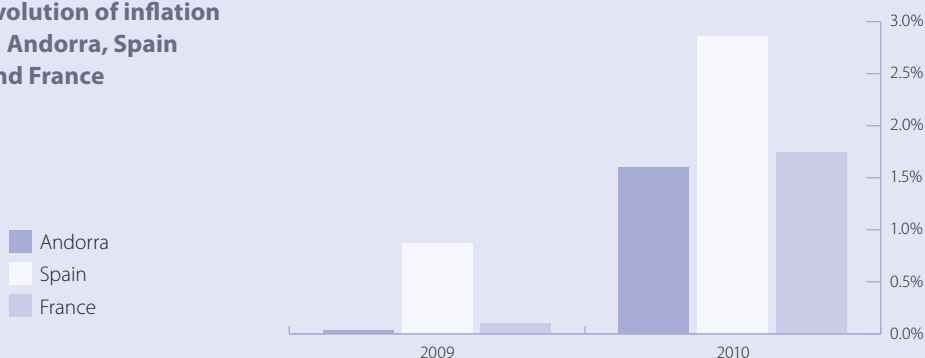
[table 3]

Details of the growth of the Andorran, French and Spanish consumer price indexes for the last two years are as follows: [\[graph 1\]](#)

The graph above shows an overall increase in the CPI for the three economies, in line with trends observed in the other Euro zone countries and, to a lesser extent, with the USA and Japan. A compari-

son of price trends in Andorra and its neighbouring countries show that Spain has again experienced the most notable rise in inflation, whilst the rates of inflation in Andorra and France, where the CPIs have also resumed growth, have displayed a similar degree of difference in relation to that of the Spanish economy.

Evolution of inflation in Andorra, Spain and France



Source: IMF and Statistics Department - Andorran Government

[graph 1]

Employment market

The annual average number of jobs for 2010 decreased 2.93% in comparison with the previous year, falling to 45,590 jobs, mainly due to the national and international economic crisis since the second half of 2008, which has had a negative effect on the number of jobs on offer in the employment market. The reduction in the number of jobs on offer has been especially relevant in those sectors of the Andorran economy which have experienced the most notable decline in activity, such as construction, industrial and services-related activities.

In 2007 the growing trend in the number of wage earners started to reverse, reporting a drop of 0.34% in 2008, in an environment of economic change. This trend was consolidated with a 2.34% reduction in the number of wage earners in 2008 and of 2.84% in 2009. The most significant drop has been recorded this year with a decrease of 3.35%. However, in a scenario of international financial crisis and economic recession, the decrease in the number of jobs and wage earners in Andorra has been well below that reported in the majority of neighbouring economies.

In the case of Andorra, one of the main causes for the loss of jobs and wage earners during 2010 has been the plunge in economic activity in the secondary sector, mainly involving construction (employing 71.23% of total wage earners in the secondary sector), followed by the tertiary sector, specifically commerce and the hotel and restaurant trade.

The economic sector experiencing the most significant decline in wage earners is construction, down 15.23% (11.22% in 2009), whilst the public sector, as in previous years, is the only sector to report a positive growth rate, which reached 1.27%.

As shown in the graph illustrating the wage earners registered with the *Caixa Andorrana de Seguretat Social* (Social Security authorities; hereinafter the CASS) by sector, the tertiary sector's importance to the Andorran economy is highly significant, 66.12% of total wage earners in 2010, followed by the public sector (17.23%), the secondary sector (industry and construction) (16.27%) and finally the primary sector (0.38%). [\[graph 2\]](#)

In recent years the number of wage earners in the public sector is becoming increasingly similar to that of the secondary sector, mainly due to job cuts in the secondary sector and sustained growth in the public sector, the overall importance of which, in comparison to other sectors, has grown by 0.79 percentage points in relation to 2009, whilst the secondary sector has experienced a 12.26% reduction in the number of wage earners, thus decreasing its specific importance by 1.65 percentage points.

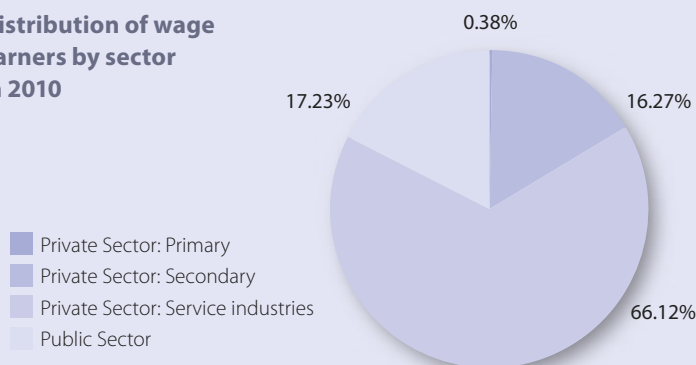
During 2010, 3,677 Social Security (CASS) registrations were made, 3.61% up on 2009 when a drop of 27.91% was reported. This figure confirms the reversal of the downward trend in the number of registrations recorded in recent years (2008: -19.84%;

2007: -20.47%; 2006: -12.50%). This increase is mainly due to the approval of *Law 17/2008 on Social Security*, which requires self-employed individuals to register with the CASS, giving them a term of three years as from 1 November 2009, the date on which the law came into force, to adjust their situation to the new law in the event that they work for companies which were already inscribed at the Andorran Registry of Commerce at that date.

The comparison of employment rates shown in the table below illustrates that the employment rate in Andorra is lower than that of the 27 European member states. [table 4]

The employment rate in Andorra dropped 3.89% on 2009 (down 1.61% in 2009), and the 27 member states of the European Union also experienced a decline, albeit to a lesser extent, recording a drop of 0.62% (1.97% in 2009). However, countries such as Italy and Spain have employment rates of 56.90% and 58.60%, respectively.

Distribution of wage earners by sector in 2010



Source: Monthly Gazette of the Andorran Government

[graph 2]

Employment rate

	ANDORRA		UE-27	
	2009	2010	2009	2010
Employment rate (*)	64.96	62.43	64.60	64.20

(*) Wage earning population as percentage of population from 15 to 64 years of age

(Percentage) Source: Caixa Andorrana de Seguretat Social and Eurostat

[table 4]

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.

In 2010, despite the economic deceleration in Andorra and the neighbouring countries, the average salary has increased by 0.61%. [table 5]

Growth of average and minimum salaries in Andorra

	1995	2007	2008	2009	2010	Var. (%) 09-10
Average salaries	1,021	1,851	1,947	1,983	1,995	0.61%
Minimum salaries	616	865	898	915	915	0.00%

(Monthly Euros) Source: Statistics Department - Andorran Government

[table 5]

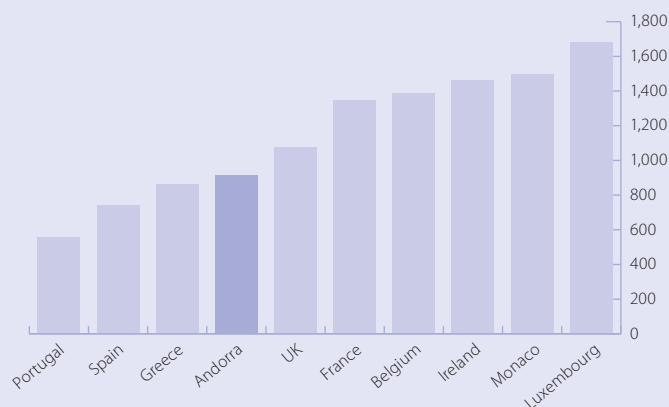
The graph below shows a comparison of minimum salaries between Andorra and other EU countries. It can be observed that the minimum salary in Andorra is between that of Greece and the UK, but lower than that of Monaco and Luxembourg. [graph 3]

In 2010, the financial system and the energy production and distribution sector are those sub-se-

tors registering the highest average salaries, considerably higher than the average salaries declared to the CASS (Euros 4,376 and Euros 3,212, respectively).

Average salaries have risen in the primary and tertiary sectors, with the latter reporting a drop of 7.14% in 2009 and a rise of 1.33% in 2010. [graph 4]

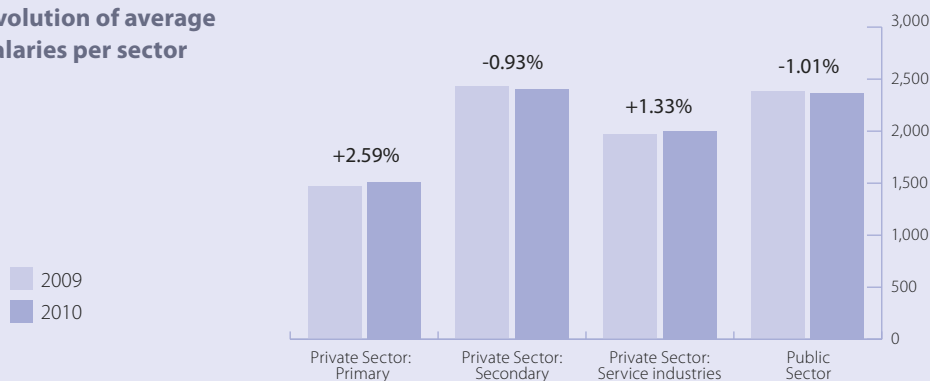
Minimum salaries 2010



(Euros) Source: Eurostat and Statistics Department - Andorran Government

[graph 3]

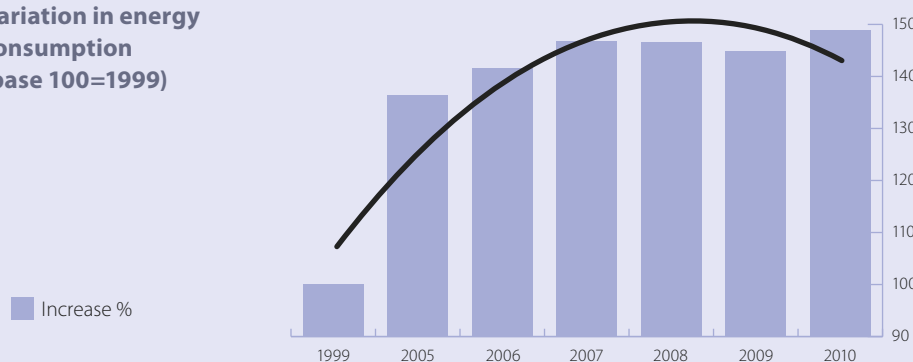
Evolution of average salaries per sector



(Euros) Source: Statistics Department - Andorran Government

[graph 4]

Variation in energy consumption (base 100=1999)



(MW/hour) Source: Monthly Gazette of the Andorran Government

[graph 5]

Consumption of electrical power

Electricity consumption is a useful indicator for estimating the progress of a country's economic activity. The evolution of electricity consumption over recent years using 1999 as the index year is shown below:

The graph above shows that energy consumption is up 2.75% on the level reached in 2009, which had shown a 1.15% drop in relation to 2008. [\[graph 5\]](#)

Telecommunications

The telecommunications sector has been characterised by an extremely accelerated rate of growth and innovation in recent years, with products being rapidly replaced by more updated ones. The majority of subscribers are for mobile and land line telephones.

According to the latest European Commission report on the telecommunications market, the average ADSL penetration rate in Europe is 35%. In 2010 Andorra has reached a penetration rate of

Ski resorts and domestic use have been the activities affected by the sharpest increase in electricity consumption, with rises of 14.02% and 5.99% respectively, whilst the construction sector has experienced the most notable decrease, 9.99% down on 2009 (2009: -10.85%).

28%, above the rate of 2009 (27%), mainly as a result of the 1.11% increase in total population in the Principality.

Furthermore, Andorra occupies second position, after the Arab Emirates and before Lithuania, in the worldwide ranking for household optical fibre penetration, according to the list published in February 2010 at the annual congress of the *FTTH Council Europe*. Andorran was ranked number eleven in the same list published in February 2010.

Vehicle Licensing and Fuel

One of the indicators of internal demand in the Andorran economy is the number of licensed vehicles. The current change in the economic cycle and the slowdown of the majority of sectors started during 2008 and continuing in 2009 has shown signs of recovery in 2010 with a 3.77% increase in the number of licensed vehicles (2009: -20.27% and 2008: -25.44%). [\[table 6\]](#)

Cars represent approximately 70% of total licensed vehicles, accounting for 8.89% of the total increase. Furthermore, licensing of other types of vehicles,

such as special vehicles, vans or mopeds, has decreased, even though the importance as a percentage of total licensed vehicles is significantly lower in the case of cars, generating a fairly insignificant effect on the variation in total demand for vehicles.

In addition to analysing the total number of licensed vehicles, the import and export of vehicles in and out of the Principality should also be taken into consideration. Net imports during 2010 have amounted to Euros 84,356,460, 7.07% higher than those made in 2009.

Licensed vehicles

	2006	2007	2008	2009	2010	Var. (%) 09-10
Total vehicles	5,769	4,690	3,497	2,788	2,893	3.77%

Source: Monthly Gazette of the Andorran Government

[\[table 6\]](#)

Another indicator of consumption is fuel imports, which have increased by 0.03% in 2010. The most significant rise has been that of kerosene, which paradoxically experienced the greatest decline in

2009 with a reduction of 35.49% compared to 2008. Unleaded petrol has continued its downward trend with decreases of 5.25% and 4.66%, respectively in 2009 and 2010. [table 7]

Fuel Import

	2006	2007	2008	2009	2010	Var. (%) 09-10
Unleaded gas	36,218,624	33,724,557	31,621,725	29,960,088	28,563,574	(4.66%)
Diesel oil locomotion	106,993,438	103,065,935	104,104,455	100,287,482	99,399,880	(0.89%)
Domestic fuel	63,589,706	66,396,534	67,454,616	64,467,574	66,778,762	3.59%
Kerosene and kerosene for jet engines	101,093	141,367	144,832	93,427	127,936	36.94%
TOTAL	206,902,861	203,328,393	203,325,628	194,808,571	194,870,152	0.03%

(Liters) Source: Monthly Gazette of the Andorran Government

[table 7]

III.3. Public sector

The Andorran public sector is comprised of the Central Government, seven *Comuns* (equivalent to town councils), i.e. one for each of the seven parishes of Andorra, and parapublic entities, which are a group of entities fully owned by the public sector, which manage public services and other areas. Parapublic entities include health and social service entities such as the *Centre Hospitalari Andorrà*, the Andorran Health Service (*Servei Andorrà d'Atenció Sanitària (SAAS)*), retirement homes for the elderly

and the Andorran Social Security Authority (*Caixa Andorrana de la Seguretat Social (CASS)*), energy suppliers and telecommunications providers such as *Forces Elèctriques d'Andorra (FEDA)* and *Andorra Telecom*; and other bodies such as the Andorran National Institute of Finance (*Institut Nacional Andorrà de Finances (INAF)*) and the Andorran National IT Centre (*Centre Nacional d'Informàtica d'Andorra*) and *Radio i Televisió d'Andorra (RTVA)*.

Central Government

A Government's domestic budget is one of the main aspects to be taken into account when analysing the economy of a country, as it can influence its levels and management. Therefore, it is essential to consider the distribution and total amount of the budget and the objectives to be reached.

Another important aspect is the situation of the Government's treasury, as this conditions a significant part of the budgetary structure. Since 2001 the Andorran Government has had a trade surplus, whereas since 2006 it has shown a trade deficit as a result, inter alia, of capital investments.

Since the budget proposal for 2010 was rejected, the 2009 budget for current expenses was extended, requiring a series of additional measures to be taken, given the specific situation of applying the extended budget of the prior year to a whole budget year. [table 8]

On 24 November 2010 the Principality of Andorra offered its first issue of public debt through Treasury Bills, which was open to private investors and regulated by the Decree governing the Issue of Public Debt in the Principality of Andorra through Treasury Bills, dated 10 November 2010 and awarded to intermediary entities through public bid approved by the Decree of Approval of the Public Bid of the Issue of Public Debt in the Principality of Andorra through Treasury Bills, dated 24 November 2011. In addition, a bank loan has been entered into with a foreign entity for the first time in the form of a Euros 150 million bank loan from *Crédit Agricole*, signed on 14 December 2010.

These two operations are a response to the desire to diversify borrowing, which to date had been entirely supported by Andorran banks. Borrowing from Andorran banks as a whole has therefore dropped by 54%.

Central Government budget and liquidation

	Budget 2010	% of total Budget	Liquidation budget 2010	% of total Liquidation	Var. (%) Liq./Budget
TOTAL INCOME	617,959	100.00%	642,253	100.00%	3.93%
Direct taxes	6,267	1.01%	1,700	0.26%	(72.87%)
Indirect taxes	312,366	50.55%	248,266	38.66%	(20.52%)
Other income	39,153	6.34%	54,028	8.41%	37.99%
Changes in net financial assets	149	0.02%	48	0.01%	(67.79%)
Changes in net financial liabilities	260,024	42.08%	338,211	52.66%	30.07%
TOTAL EXPENSES AND INVESTMENTS	745,506	100.00%	603,525	100.00%	(19.04%)
Investments	162,713	21.83%	57,718	9.56%	(64.53%)
Transfers	176,945	23.73%	153,599	25.45%	(13.19%)
Operating expenses	143,811	19.29%	134,932	22.36%	(6.17%)
Financial expenses	13,779	1.85%	10,686	1.77%	(22.45%)
Financial assets	1,714	0.23%	46	0.01%	(97.32%)
Financial liabilities	246,544	33.07%	246,544	40.85%	-

(Thousands of Euros) Source: Ministry of Finance and Public Function - Andorran Government

[table 8]

Local Government

The Andorran "Comuns" obtain their annual revenues from transfers received from the Andorran Government, and the remaining amount from funds they collect and other income.

The table below shows total revenue and expenses for each of the *Comuns*, according to the 2010 budget, and illustrates that the most significant source of income collected 57.23% (64.62% in 2009). is included under the "Own collection of funds and others" caption, which comprises taxes and rates of the *Comuns*. The remaining 42.77% mainly relates to transfers received from the Government. 61.97% of *Comuns* expenses relates to "Operating expenses", comprising expenses relating to personnel, goods and services. The remaining 18.62% corresponds to investments and 19.41% to transfers, financial expenses and financial liabilities.

The table below also provides details of the budget clearance for 2010, showing possible deviations:

[table 9]

All the *Comuns* have experienced a certain degree of variation between the initial budget for 2010 and the revenue and expense clearance budget for the year. An analysis of the 2009 budget clearance for the different *Comuns*, marked by major cutbacks in public spending, shows that although the initial budgets forecast a deficit between revenue and expenses for the *Comuns* of Andorra la Vella, Sant Julià de Lòria and Escaldes-Engordany, none of these *Comuns* have recorded deficits in their budget clearances.

Local government budget and liquidation for 2010

	Budget	Liquidation	Diversion
TOTAL INCOME	158,415,212	133,793,133	(15.54%)
Canillo	16,475,098	11,830,925	(28.19%)
Encamp	37,044,994	26,863,346	(27.48%)
Ordino	11,404,877	10,760,627	(5.65%)
La Massana	14,194,594	12,678,669	(10.68%)
Andorra la Vella	38,898,414	33,061,219	(15.01%)
Sant Julià de Lòria	12,875,195	12,638,295	(1.84%)
Escaldes-Engordany	27,522,040	25,960,052	(5.68%)
TOTAL EXPENSES	166,471,761	127,301,540	(23.53%)
Canillo	16,475,098	11,534,214	(29.99%)
Encamp	37,044,994	26,722,231	(27.87%)
Ordino	10,884,101	8,100,743	(25.57%)
La Massana	14,194,594	11,907,733	(16.11%)
Andorra la Vella	44,214,078	31,657,802	(28.40%)
Sant Julià de Lòria	14,071,703	12,477,571	(11.33%)
Escaldes-Engordany	29,587,193	24,901,246	(15.84%)
BUDGET / LIQUIDATION RESULT	(8,056,549)	6,491,593	-

(Euros) Source: Local Governments of the Andorran Principality

[table 9]

III.4. Evolution of the Andorran economy during 2010

Introduction

Until the beginning of the 20th century the economy in the Principality 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 development has been reflected in an economy based mainly on the tourism and commercial sectors, which have expanded thanks to ideal climatic and geographical characteristics and are heavily dependent on the foreign sector, on the financial sector and, in recent decades, also leading to growth in the construction sector.

The information available on the Principality does not provide an analysis of each sector's contribution to the gross domestic product (GDP) and therefore an analysis of the production sector has to be carried out by extracting employment data, which have been previously analysed in the section describing the composition of the working population by sector.

In an environment of global economic deceleration, the business structure of the Andorran economy has altered slightly with a 6.00% increase in companies with more than 100 employees and a 2.02% increase in those with 5 or less, to the detriment of companies with between 6 and 100 employees. Despite this variation, companies with 5 or less employees continue to represent 73.96% of the Principality's business structure. At the end of 2010, the Principality of Andorra has 6,090 companies and 36,978 wage earners.

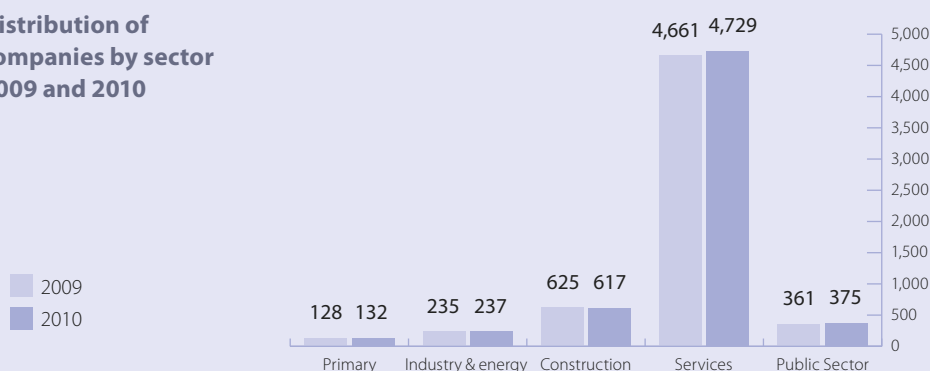
The following graph shows that the services sector continues to have significant importance in the

Andorran labour market and employs 77.65% of the population, followed by the construction and services sectors with 10.13% and 6.16%, respectively. During 2010 the number of wage earners has dropped by 3.47%, 60.03% of whom worked in the construction sector, which has lost 799 wage earners, 40.72% of whom worked in the services sector with a decline of 542 wage earners and the remaining 0.75% of whom worked in the industrial and energy sector with a drop of 73 wage earners. [graphs 6 i 7]

The Andorran economic model is based on tourism, the financial sector and, in recent years, construction, making it much more vulnerable when neighbouring countries experience an economic downturn, due to the low level of diversification in Andorra's economy, which depends to a large extent on tourism.

For this reason, with the entry into force of *the Law on measures to promote economic and social activity and streamline and optimise Government resources, dated 16 December 2010*, the Andorran Government will implement occupational training policies and develop a campaign to draw attention to the benefits and advantages of buying and contracting services from Andorran companies and professionals. It will also introduce measures to encourage the creation of new companies and the corresponding recruitment of workers, such as an exemption period until 31 December 2011 for the payment of general government taxes or the creation of a simplified administrative procedure for obtaining a licence to open a business and the modification and/or extension of commercial activities and changes in ownership.

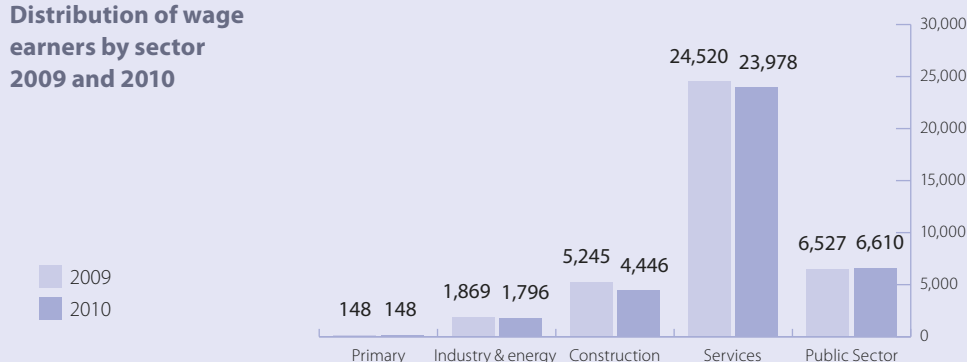
Distribution of companies by sector 2009 and 2010



(Number of companies) Source: Caixa Andorrana de Seguretat Social

[graph 6]

Distribution of wage earners by sector 2009 and 2010



(Number of wage earners) Source: Monthly Gazette of the Andorran Government

[graph 7]

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 represented just over 1.66% of the total number of companies in 2009, increasing to 2.17% in 2010 and employs 0.40% of the total working population (0.36% in 2009). Likewise, certain sectors of activity, such as the cultivation of tobacco and livestock farming, have had significant influence on the economy until recent years, which the Government is continuing to support through grants.

Although this sector has continued to lose importance during recent decades, 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 global development. 2009 closed with 128 registered companies and 2010 with 132 although the number of wage earners has remained unchanged, indicating possible divisions in existing companies.

The Ministry of Agriculture and the Andorran Association of Farmers and Stockbreeders (*Associació de Pagesos i Ramaders*) are therefore working to revitalise the Principality's primary sector as it is considered critical to diversifying the economy as well as being a key factor in protecting the environment and Andorra's natural resources. Stockbreeding is therefore being encouraged through subsidies for the production of Andorran beef with a quality seal, through promotional campaigns.

During the first half of 2008 the Andorran Association of Farmers and Stockbreeders presented two research and innovation plans to identify alternatives to the cultivation of tobacco, which have continued to be implemented during 2010. One of these plans has involved trials with medicinal and aromatic plants, while the other has focused on identifying the variety of potato that is best adapted to Andorran growing conditions and which is of a certain quality. The aim is to find varieties to offer a quality product adapted to current consumer trends and to be able to commercialise Andorran agricultural produce with seals of quality.

Since 2003 an Andorran entrepreneur has also started producing and commercialising his own wine. This small vineyard is located in the village of Nagol, in the parish of Sant Julià de Lòria, at an altitude of 1,100 metres and has an annual production of approximately 1,000 bottles. The *Cim de Cel* is a white wine solely produced using the Alsatian grape variety, resistant to the climatic conditions of a high mountain country such as Andorra. The first grapes were harvested in 2006 and the resulting wine is being commercialised.

The Andorran Association of Farmers and Stockbreeders is working on boosting and promoting the beekeeping sector to complement agricultural activities, as has been the tradition in the past. Finally, as part of its project to revive the primary sector of the Andorran economy, the Ministry of Agriculture is also collaborating with the Ministry of Tourism to convert agriculture and stockbreeding into natural and cultural heritage, therefore making it a new tourist attraction in the Principality.

Secondary sector

Industry and energy

There are two kinds of industry in Andorra: the extractive industry, i.e. extracting raw materials directly from natural resources and the manufacturing industry, which involves the use of machinery and manual labour to produce goods for their subsequent use or sale. Only 0.01% of the country's wage earners are employed in the extractive industry through one sole company whilst 4.27% are employed in the manufacturing industry through a total of 230 different companies. The manufacturing sector is characterised by weak internal demand, a lack of specialised workforce and a rise in competition regarding production costs. During 2010 the number of companies has risen 0.85% in relation to 2009, even though the number of wage earners has fallen by 3.91% since the increase in the number of companies relates to two companies with between 6 and 10 employees.

The industry and energy sectors maintain a low relative importance with regard to the production structure of the country. Social Security (CASS) registered workers employed in the production and distribution of electricity, gas and water represent an average of 0.40% of the total workforce in 2010. The Andorran energy sector is closely linked to the international scenario and in particular to neighbouring countries, as it is highly dependent on other countries for its supply sources. Electricity represents approximately 40% of the country's energy consumption and more than 80% is im-

ported from Spain and France. For this reason the Government, is launching a programme of specific economic aid to promote the implementation of renewable energies.

The electrical sector has not been liberalised and *Forces Elèctriques d'Andorra* (FEDA) is the country's only producer and importer of electricity, supplying the other distributors in the country such as *Nord Andorra, SA*, *Mútua Elèctrica de Sant Julià*, *Societat Explotadora i Repartidora del Comú d'Encamp, SA* and *Unió Elèctrica d'Encamp*.

Industries with a specific importance within the sector are those relating to wood manufacturing, tobacco, foodstuffs and beverages, which have varied in number in recent years. In contrast, the number of companies in the electricity, gas and water production and distribution sector has remained stable mainly due to the fact that they are parapublic entities.

The business structure of the sector, taking into consideration the distribution of workers in the companies, is dominated by small companies. 59.07% of these companies employ 1 to 5 workers (61.28% in 2009), 18.99% employ 6 to 10 workers (16.60% in 2009) and 13.92% employ 11 to 25 workers (14.04% in 2009). Only 8.02% have a headcount exceeding 25 employees (8.09% in 2009).

Construction

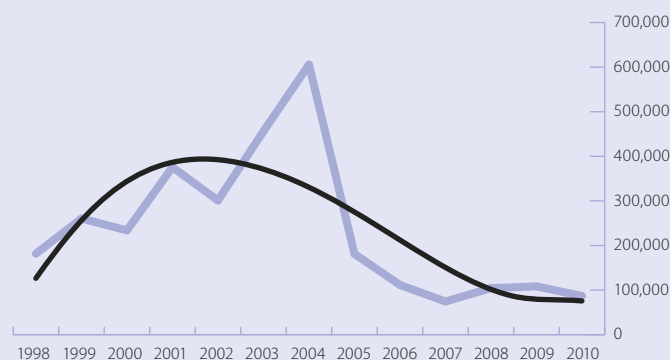
Prior to 2007 the Andorran construction sector was characterised by the upward trend sustained over the past decade, as is the case of Andorra's neighbouring countries. Nevertheless, this trend reversed due, inter alia, to the cease of transactions in the real estate market, causing a drop in activity in the construction sector which has continued into 2010. During this year the sector has experienced a 1.28% fall in the number of companies (-12.52% in 2009) which in turn has led to a 15.23% reduction (-11.22% in 2009) in the number of wage earners.

Despite this downturn, the number of wage earners in construction represents 12.02% of total wage earners registered with the Social Security (CASS) in 2010 (13.69% in 2009) and 10.13% of Andorran companies (10.40% in 2009).

In order to mitigate the effects of this deceleration and promote spending on construction, the Andorran Government is implementing a series of measures, such as the development of a regulation to establish a programme of grants and preferential loans to encourage the modernisation of real estate, industrial safety, accessibility, energy efficiency or savings and improvements to building façades.

As already mentioned in this chapter, the Andorran business structure is strongly dominated by small companies; 58.18% of companies from the construction sector employ a number of workers equal to or less than 5, 19.94% employ between 6 and 10 workers, 15.07% employ between 11 and 15 workers and the remaining 6,81% of the companies have more than 25 workers.

Surface area authorised for development 1998-2010

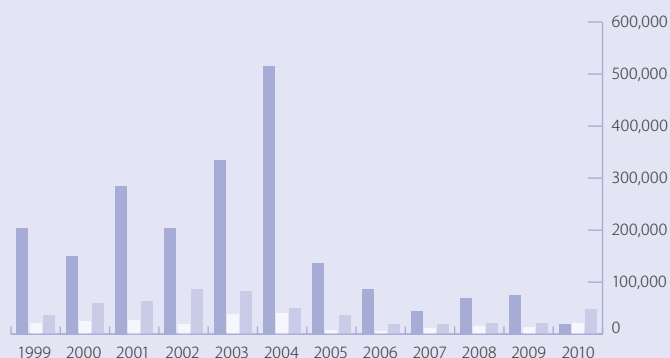


(m²) Source: Local Governments of the Andorran Principality

[graph 8]

Surface area authorised for development, by type of construction 1999-2010

■ Apartments
■ Chalets
■ Other buildings



(m²) Source: Local Governments of the Andorran Principality

[graph 9]

The construction boom in recent years has been closely linked to the growth in the areas of land authorised for development. Nonetheless, it should be mentioned that the peak in construction shown in the graph below took place in 2004 due to the May 2003 moratorium. Subsequently, the total area of land authorised for development in Andorra dropped to levels below those of 1997. However, as shown in the graph below, 2008 marked the start of a change in trend, which continued during 2009. However, in 2010 total square metres authorised for development fell by 19.73%. [graph 8]

The table below shows the number of square metres of land authorised for development by type of construction: [graph 9]

The above graph shows a clear decline in area of land authorised for development compared to 2009. As outlined above, several factors have

contributed to the downturn in construction in Andorra; the May 2003 moratorium that led to a construction boom which has gradually stabilised and the slowdown in the Andorran real estate market, also experienced in other European countries. This real estate market downturn is the result of the international financial crisis coinciding with the bursting of the real estate bubble formed over the last decade.

The graph also illustrates that during 2008 and 2009 the square metres authorised for the development of apartments rose slightly as a result of the approval and/or modification of urbanisation plans in the majority of parishes. However, 2010 has not yet been affected by these approvals and/or modifications and the graph shows that fewer square metres have been requested for this kind of construction than others.

Tertiary sector: Services

The lack of raw materials and energy sources in the Principality 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 a key sector in the Andorran economy. During 2010 it has employed 30,588 individuals, representing approximately 82.72% of the total workforce and a total of 5,104 companies (83.81% of total) have operated in this sector.

The table below shows 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 Andorran financial sector. [\[graph 10\]](#)

The business structure of the sector mainly comprises small companies. Therefore, 76.02% of the companies have 5 or fewer employees, whilst 19.63% have 6 to 25 employees, 3.35% have a headcount exceeding 25 and only 1.00% have more than 100 employees.

Tourism

As already mentioned, commerce is one of the key activities of the Principality's economy, which complements and is directly related to tourism. Nevertheless, since 2002 there has been a drop in the number of tourists and overnight stays. In light of these circumstances, the Principality is committed to increasing the number of tourists, overnight stays, and expenditure per visitor, while simultaneously gaining the loyalty of customers who have already visited the country to encourage them to return more frequently. The objective of these measures is to maintain Andorra's position as a leading tourist destination in Europe.

"*Andorra Turisme*" has been created to coordinate and manage the initiatives grouped under this pillar, which is a public entity set up by the Andorran Government in 2007 to improve the promotion and coordination of the management of tourism in Andorra for the purpose of increasing the Principality's excellence as a tourist destination and jointly commercialise Andorra's public and private tourist attractions. Furthermore, as from the end of 2010 and in accordance with the "Law on measures to promote economic and social activity and streamline and optimise Government resources", the Andorran Government will offer tourist packages in conjunction with its neighbouring countries, whenever possible, under the *Pirineus* brand name.

Despite the ongoing efforts to boost tourism and as a result of the global economic crisis, the influx of tourists in Andorra has decreased by almost 5.41% in 2010 (-4% in 2009), whilst in Spain it has risen by 2% in 2010 (-6% in 2009).

Hotel accommodation represents approximately 71% of tourist accommodation for 2010, considerably above hostels or residences, boarding houses, aparthotels and holiday apartments. This year Andorra has 258 hotels, two less than in the previous

year, with a total capacity for 33,788 beds (88 more than in 2009).

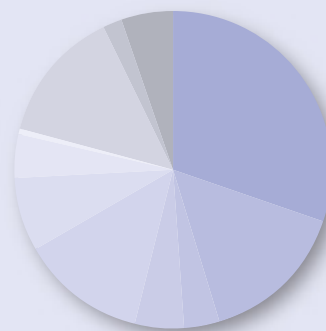
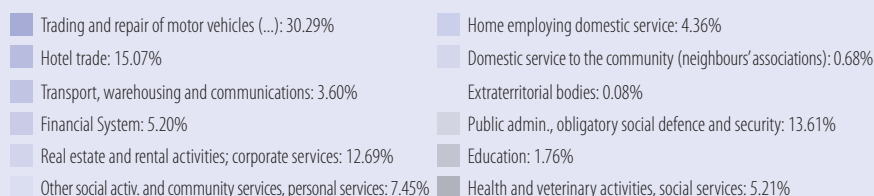
The distribution of beds by category during 2010 has varied in line with the strategic outlook for innovation and quality improvement implemented by most Andorran businesses in 2007.

The restructuring and improvement of hotel infrastructure in the Principality over the past four years has enhanced the hotels on offer in Andorra, with the focus on boosting quality tourism in the Pyrenean country. As in 2007, 2008 and 2009, during 2010 the amount of accommodation and capacity in lower category tourist establishments has continued to decrease substantially. The graph below shows that 54.10% of beds available in Andorra in 2010 were in hotels with four and five stars, whilst 90% of beds can be found in 3 or more star hotels (2006: 32% and 65%, respectively). [\[graph 11\]](#)

In line with the work carried out prior to mid-2010, as part of the Andorra 2020 Programme and for the purpose of boosting the tourist sector and increase what is offered in the country, the Andorran Government continues to work on a number of projects, the most noteworthy of which are as follows:

- The implementation of a tourist accommodation quality plan to adapt the quality standards applied in the Principality to international criteria.
- The creation of a special *business and meetings* seal to promote and guarantee the quality of hotels that want to obtain more added value from their establishments by offering local and foreign businesses the opportunity to hold business meetings on their premises.
- The creation of a special *business conventions* seal given to hotels that fulfil the criteria established for organising business conventions.

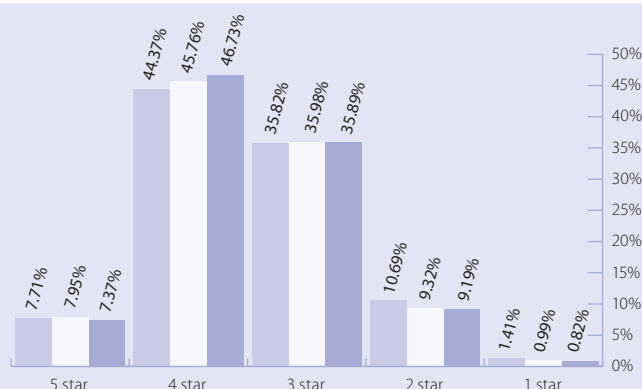
Number of wage earners on Service industries



Source: Monthly Gazette of the Andorran Government

[graph 10]

Distribution of beds by category 2008, 2009 and 2010



Source: Ministry of Tourism and Environment - Department of Tourism

[graph 11]

As well as the wide range of hotel accommodation on offer, Andorra is also renowned for its restaurants, offering avant-garde cuisine that combines traditional and contemporary dishes. Visitors can discover this cuisine through a choice of gastronomic events and tours such as those organised in "bordes", typical mountain restaurants, and a total of 413 restaurants (2009: 398). Furthermore, Andorra is an attractive destination for wild mushroom pickers, with a wide variety of wild mushrooms growing throughout the year.

In order to promote this tourist attraction the Andorran Gastronomic Association (*Associació Andorran de Gastronomia*) was created during 2007 to position Andorra as a country offering excellent cuisine. The Andorran Government supports this initiative and is collaborating with the *Comuns*, the Andorran Hotel Union (*Unió Hotelera d'Andorra*) and several other associations to promote local and international gastronomic events. During 2010 Andorra organised two relevant and well-known gastronomic events: the world renowned *VI Quinzena de la Tòfona*, a gastronomic event centred around the black truffle, held in February and the *XIX Mostra Gastronòmica* (XIX Gastronomic Week), which took place in Ordino with an extensive programme including a series of gastronomic talks given by experts from Andorra and neighbouring countries.

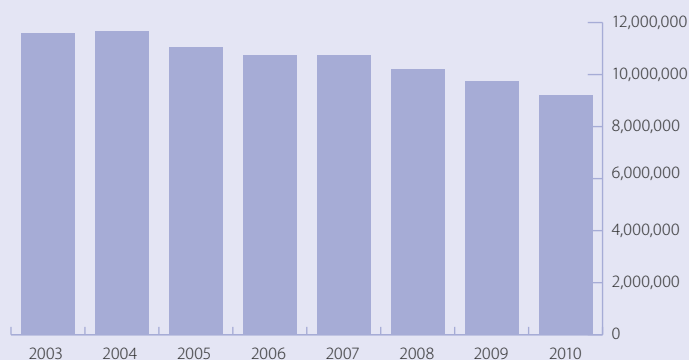
One of the most relevant indicators to evaluate the global dynamics of the tourism industry is the total number of visitors to the country per year. This figure has been in decline since 2008, reporting a drop of 5.41% in 2010. The majority of visitors come from the neighbouring countries of Spain and France.

As shown in the graph below, in recent years there has been a drop in the number of tourists and the number of day trippers, who account for the most significant proportion of total visitors. The declining number of visitors who stay the night does not necessarily have to be perceived as negative if it is offset by a rise in the quality of tourism currently on offer. [graph 12]

Furthermore, it should be noted that 2010 has been a year of continuing change in the economic cycle, commenced in 2008 and caused initially by the international financial crisis, which has dragged the economies of neighbouring countries into recession and substantially reduced tourist activity.

Another of the significant variables for an economic analysis of the Andorran tourism industry is the total number of days of ski sold. This concept refers to the number of daily ski passes sold by all the Andorran ski resorts throughout the ski season.

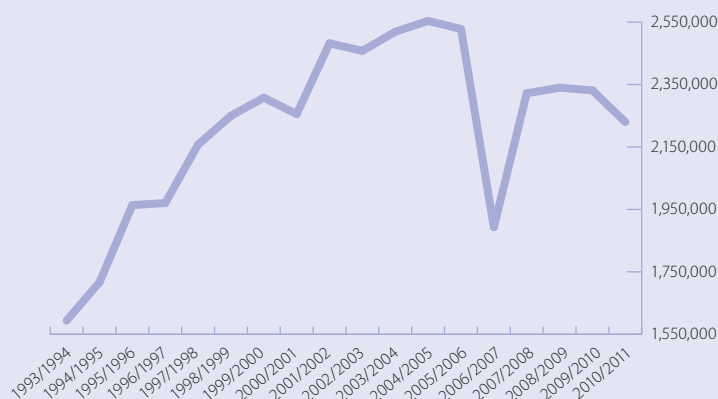
Evolution of number of visitors 2003-2010



Source: Monthly Gazette of the Andorran Government

[graph 12]

Evolution of total days of sky



Source: Ski Andorra

[graph 13]

The 2010-2011 season was atypical in terms of the weather conditions, due to highly irregular and sparse snowfalls. Therefore, despite the considerable effort made to produce snow and keep the ski resorts open in one of the longest seasons in recent years, which finished at the end of April, results are poorer than in the previous year with a decline of 4.3%. It should also be noted that this season's data are 11.09% below the average for the best seasons in recent years. One of the factors explaining this difference is the decrease in the purchasing power of the majority of skiers due to the international economic situation, especially with regard to the neighbouring countries. The number of visitors to Spanish ski resorts also fell by around 4%. [graph 13]

The Principality of Andorra has the largest skiable surface area in the Pyrenees and one of the most extensive in Europe with more than 3,075 hectares of skiable terrain comprising three modern resorts. These resorts are located in the skiable areas known as GRANDVALIRA and VALLNORD. Andorra also has a winter sports camp called NATURLÀNDIA-La Rabassa.

In the 2003/2004 ski season, the Pas de la Casa-Grau Roig and Soldeu el Tarter resorts signed a commercial agreement to create a single skiable

area commercialised as 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-Arcalís ski resorts have joined for commercial purposes under the name of VALLNORD, enabling clients to use both resorts with a single ski pass.

The two resorts have a total of 177 pistes and several circuits for other snow-related activities and adventure sports.

GRANDVALIRA is formed by 6 sectors: Pas de la Casa, Grau Roig, Soldeu, El Tarter, Canillo and Encamp, covering a total of 1,926 hectares distributed across 110 pistes and with a capacity for 100,700 skiers per hour. In March 2011 the Soldeu sector hosted the Women's Alpine Ski European Cup and the Avet piste is expected to be the venue of the World Cup during the 2011/2012 season.

VALLNORD has three skiable sectors, Pal, Arinsal and Arcalis, covering a total of 1,149 hectares, 67 pistes and with a capacity for 55,690 skiers per hour.

As well as a wide range of winter activities, the two skiable areas offer summer activities to promote family tourism outside the Principality's normal high season, such as go-karting and a golf course, along with other more specialised summer sports and international competitions such as the World Mountain Bike Cup trials.

NATURLÀNDIA, which includes the winter sports camp, La Rabassa, is located in the parish of Sant Julià de Lòria and covers more than 330 hectares, at an altitude varying between 1,600 and 2,000 metres which forms a great natural space freely accessible and in constant evolution, where new proposals will be included progressively and gradually.

This winter sports camp has 15 km of circuits for cross-country skiing as well as several other circuits for other activities such as snowshoe itineraries, the Nordic dog village, toboggan park (including three toboggan runs), play park, a mountain-themed restaurant, an archery field and, since the end of 2007,

TOBOTRONC, the longest mountain toboggan run in the world, measuring more than 5 km.

The table below shows details of the skiing facilities available in the Principality, together with a summary of their main features: [\[table 10\]](#)

The Andorran ski resorts have made significant investments which have provided the Principality with unbeatable skiing facilities. Details of investments made in recent years are as follows: [\[graph 14\]](#)

One of the other tourist attractions on offer in the Principality is water-based, one of Andorra's natural resources. As well as the rivers and lakes in the country, the sulphur-rich thermal waters in Escaldes-Engordany are recommended for therapeutic and beauty treatments. Several wellness centres have been opened including the largest thermal baths in Southern Europe: CALDEA.

Ski resort facilities 2010

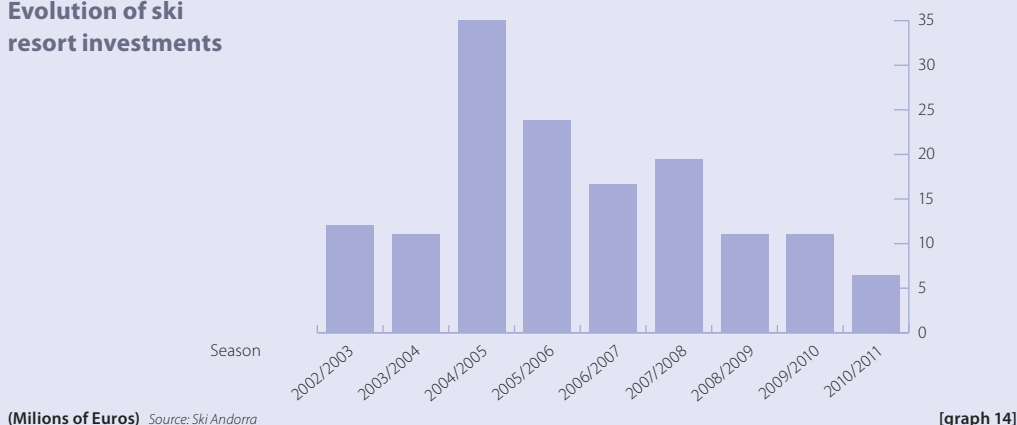
Resort	Km of slopes	Ski runs	Snow machines	% Snowmaking	Ski lifts	Skiers capacity / per hour
VALLNORD: Pal - Arinsal	63	42	296	44%	31	39,180
VALLNORD: Ordino - Arcalís	30	25	89	48%	14	16,510
GRANDVALIRA	193	110	1,097	43%	67	100,700
NATURLÀNDIA - La Rabassa *	15	7			2	-
TOTAL	301	184	1,482	41%	114	156,390

* Cross-country skiing and alpine coaster toboggan

Source: Ski Andorra

[table 10]

Evolution of ski resort investments



[graph 14]

CALDEA uses the properties of thermal water and has come to symbolise Andorra. The centre is currently being extended with the creation of a new wellness area for integral wellbeing. This is expected to be inaugurated in 2012, with a new surface area of 12,400 m².

The end of July 2011 will see the opening of the Museum of Water and Interpretation in the Vall del Madriu, which has been declared a site of national interest by the Andorran Government and forms part of the Escaldes-Engordany parish. The building has been conceptually designed to resemble water

splashing up from the river and represents a firm commitment to the use of new technologies.

In addition, Andorra has an increasing number of hotels specialising in health and beauty treatments, which complement the tourism services offered in the country.

In the last quarter of 2007, the Andorra la Vella Conference Centre, covering an area of 4,200 m², was inaugurated in the heart of the city, opening up the market to a new tourism sector: conference tourism.

Commerce

The importance of tourism to the Andorran economy, as outlined above, 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. Despite the decline in 2008 and continuing in 2009, this sector comprises 33.35% of businesses and employs 40.28% of wage earners from the country's services sector in 2010.

Andorra's tradition for commerce has gained international fame due to more than 2,000 modern establishments, the most competitive prices, and flexible opening times. The majority of these establishments are located in the parishes of Andorra la Vella (the capital), Escaldes-Engordany and Pas de la Casa. Nonetheless, the parish of Sant Julià de Lòria also has a number of large shopping centres.

Up until a short time ago, commerce was a tourist attraction due to the price differences between Andorra and the neighbouring countries of Spain and France. At present, although the Principality is not a member of the EU it is subject to taxes on consumption, albeit lower than those of EU countries, meaning that goods such as perfumes, the leading brands of clothing and jewellery continue to attract tourists to the Principality of Andorra.

In addition to the price differences, one of the main advantages of Andorra as a tourist destination is the fact that a large number of innovative and specialised outlets selling products from all over the world are concentrated in a small area.

Details of the number of companies and wage earners in Andorra's retail sector during 2009 and 2010, by type of establishment are shown in the following table: [\[table 11\]](#)

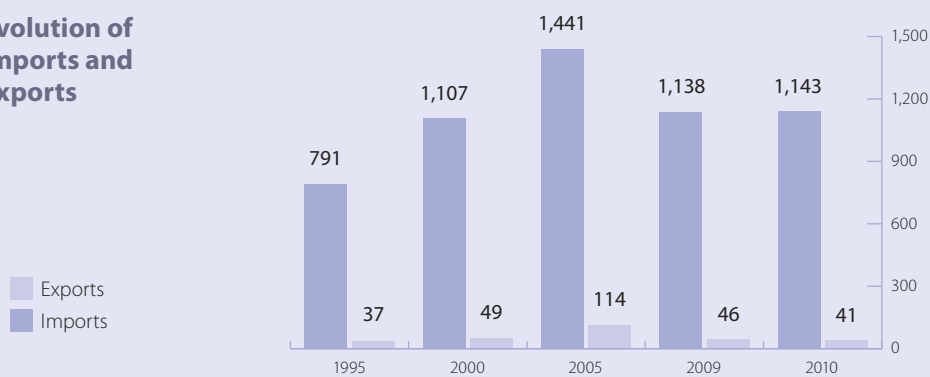
Number of companies and wage earners

	2009	2010	% of total 2010	Var. (%) 09-10
Number of companies	1,388	1,577	100.00%	13.62%
Number of wage earners	10,289	9,658	100.00%	(6.13%)
Sale, trading and repair of motor vehicles (...)	1,234	1,173	12.15%	(4.94%)
Wholesale trade and intermediaries, except for motor vehicles and motorcycles	2,801	2,577	26.68%	(8.00%)
Retail trade, except for motor vehicle trading (...)	6,254	5,908	61.17%	(5.53%)

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

[table 11]

Evolution of imports and exports



(Millions of Euros) Source: Monthly Gazette of the Andorran Government

[graph 15]

As is the case in other sectors, the majority of businesses employ 1 to 25 workers, representing 96.13% of total companies in this sector in the case of commerce, whilst only 3.87% employ more than 25 workers.

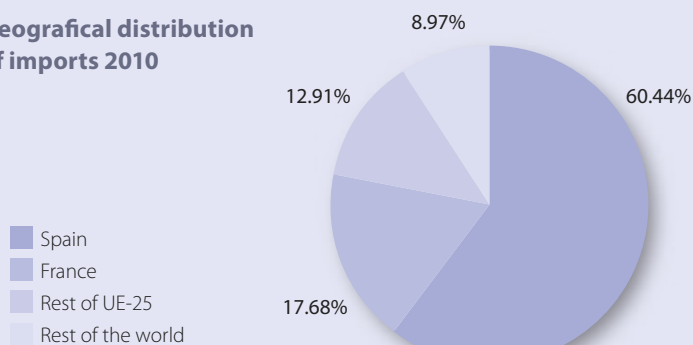
A reliable indicator of the status of Andorran commerce is the evolution of imports and exports in recent years. The trade deficit has been an ongoing structural feature of the Andorran economy.

However, it should be noted that in 2010 and in line with the trend in 2009, exports have fallen 10.87% (29.23% in 2009), whilst imports are up by 0.44% (-13.33% in 2009), a figure directly related either to the number of visitors to the Principality or to the purchasing power of those visitors. As previously mentioned, an analysis of tourism in Andorra shows that the number of visitors has dropped in relation to 2009, therefore the import figures reflect the success of the country's commitment to attracting quality tourism and visitors with high purchasing power.

It should be taken into consideration that the export figures are not completely accurate since not all the tourists purchasing products in Andorra declare their exports because Spanish law establishes a limit on the value of each type of product that must be declared on entering Spain, as is the case in France. [graph 15]

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. [graphs 16 i 17]

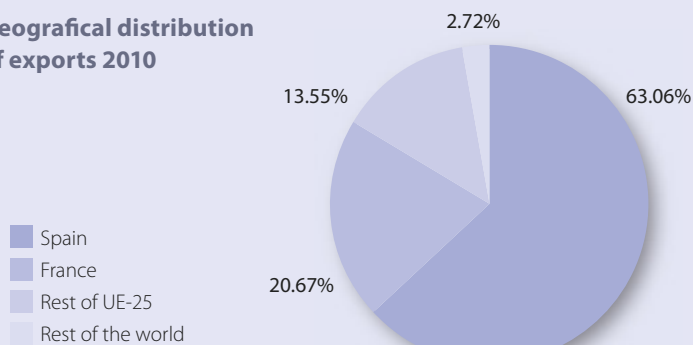
Geographical distribution of imports 2010



Source: Monthly Gazette of the Andorran Government

[graph 16]

Geographical distribution of exports 2010



Source: Monthly Gazette of the Andorran Government

[graph 17]

Financial sector

The Andorran financial sector is one of the mainstays of activity in the Andorran economy due to its significant contribution to Andorra's GDP (approximately 16%), with its nucleus being the banking system. Insurance companies, other asset management entities, investment undertaking management entities and specialised non-banking credit entities also operate in the Principality.

The Andorran National Institute of Finance (INAF) was founded in 1989 and supervises and regulates the Andorran financial system, with the exception of insurance companies (that do not belong to banking groups), which are currently supervised by the Andorran Government's Ministry of Finance.

The Andorran Financial Intelligence Unit (UIF) created in 2000 (until 21 April 2009 known as UPB), is an independent body, the mission of which is to boost and coordinate measures to prevent money laundering and the financing of terrorism.

The financial system comprises 5 banking groups, 1 specialised credit entity, 8 investment undertaking management entities, 4 asset management

companies and 34 insurance companies, 18 of which are branches of foreign insurance companies authorised to operate in the Principality. The banking sector employs 1,700 individuals, representing approximately 80% of the total number of wage earners in the financial sector.

The Andorran banking system has always been characterised by its high capital adequacy ratio compared to other financial markets, resulting from a strong capitalisation policy right from the start.

It should be noted that the Andorran banking system has established much stricter capital adequacy and liquidity ratios than most other countries, in order to ensure its good reputation at international level. The performance of these two ratios illustrates the conservative and prudent management of Andorran banks, which avail of a privileged situation in a scenario of international crisis marked by a lack of trust in the financial markets.

Due to their particular nature these features, which are a key part of this publication, are dealt with in chapter "IV Banking sector".

IV



IV BANKING SECTOR

IV.1. Introduction

The Andorran financial system is one of the mainstays of the Andorran economy which contributes approximately 16% to the Gross Domestic Product and is characterised by its solid financial reputation as a result of the strict and rigorous application of the international regulatory standards. Furthermore, the Andorran financial system, which is mainly focused on banking, is characterised by the capital adequacy and liquidity ratios of its banking system compared to other financial markets, (22.77% and 71.76%, respectively) due to its conservative and prudent management.

The Andorran banking sector comprises a total of five banking groups and has more than 80 years' experience in this activity. The banking entities in Andorra render banking services (retail and private banking), asset management, brokering and insurance services.

Andorran legislation does not permit opaque structures, such as trusts, or private foundations to promote offshore investment structures, which prevent the identification of beneficiaries.

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 and supervised by the Andorran National Institute of Finance (INAF) governed by *Law 14/2003 dated 23 October 2003*. Furthermore, the Financial Intelligence Unit (UIF) created in 2000 is an independent body, the aim of which is to promote and coordinate measures to prevent money laundering and the financing of terrorism.

The strictness of the Andorran banking system in supervising and verifying the origin and destination of funds is guaranteed by expert organisations such as the International Monetary Fund (IMF) and the European Council. The five Andorran banking entities operate in international markets, applying standards and best practices. A good example of this is that all the Andorran banks have been certified as qualified intermediaries by the IRS (Internal Revenue Service) of the United States of America.

2010 has continued to be marked by the change in trend begun in 2009 within the Andorran banking sector, reversing the situation of recent years, which saw a rise in the aggregate balance sheet of Andorran banks to the detriment of off-balance sheet funds. Thus, off-balance sheet funds have risen again in 2010 with an increase of 5.04% compared to the 8.78% rise in customer balances. This change has been brought about by low interest rate levels, growth in the financial markets and increased investor confidence. The Andorran banks' aggregate profits have dropped by 0.49%, mainly due to the increase in transformation costs incurred as a result of the major international expansion processes in which four of the five Principality's banking institutions are immersed. It should be taken into consideration that the Andorran banks' gross margin has increased by almost 3% during 2010.

Capital adequacy and liquidity ratios are amongst the highest of all European countries. These indicators illustrate the positive performance of the Andorran financial system, its consolidation in the domestic market and the progress made in the internationalisation process currently underway amongst Andorran banks, which has led to a diversification and growth in business, as well as the expansion of their banking structures and an increase of over 7% in the aggregate number of employees, without having caused significant increases in efficiency ratios.

Now that the uninterrupted period of economic growth has come to an end we are in a more difficult and demanding period during which entities with more solid foundations and better business models and best management teams will stand out. The Andorran banking sector is prepared to calmly and confidently face future challenges.

On 10 March 2009 the Government of the Principality of Andorra signed the Paris Declaration, formally committing to provide certain information on fiscal matters in the future, when the requests are justified and well founded and the principles of the OECD are respected. This means giving information in justified scenarios, although no lists of persons are provided nor are collective and general requests for information (*fishing expeditions*) attended to.

As a result, on 3 April 2009 the G-20 eliminated the Principality of Andorra from the OECD's "black list" and placed it in the category of countries which have commitments with the OECD. Andorra is in the same category as other countries such as Luxembourg, Switzerland, Austria, Belgium, Monaco or San Marino, which have also agreed to comply with OECD standards.

As announced in the Paris Declaration, on 7 September 2009 the General Council of Andorra approved the Qualified Law for the exchange of tax information upon prior request. This legal text establishes a framework for legal security in the relations between the Principality and other countries regarding the exchange of information and places particular emphasis on key issues related to the mechanisms for ensuring the confidentiality of customers, as follows:

- The request for information must be justifiable and well-founded; guarantees are therefore established for this purpose, such as a limit for obtaining or providing information which the requesting State cannot obtain under its own legislation.
- A notification procedure is implemented granting the possibility to oppose the request for information by means of a duly justifiable appeal to the relevant authority.
- The agreement is not valid retroactively, meaning that the principle prevails whereby no customer information will be provided in relation to situations that pre-date the date on which each bilateral agreement comes into force.
- Fishing expeditions, i.e. collective and generalised requests for information are prohibited.
- Confidentiality is guaranteed and the level playing field principle (guarantee of equal conditions for everyone) is upheld in relation to other agreements that have been signed previously.

Furthermore, exchanges of information on request, in response to justifiable and well-founded requests, will be effective for fiscal years which commence following the date on which each bilateral agreement comes into force, i.e. after the last notification that the agreement has been ratified by the respective Parliaments, plus an additional period, usually of three months, in the cases for which this period has been established. For example, if an agreement is ratified by the respective parliaments of the countries party to the agreement on 2 June 2010, and there is an additional period of three months, the agreement will come into force on 2 September 2010 and will be effective during the fiscal year 2011, i.e. as from 1 January 2011.

Following its ratification of the Law, between September 2009 and November 2010 the Government of Andorra signed bilateral agreements for the exchange of fiscal information upon prior request with 18 countries (the first 17 have already been ratified): Austria (17/09/09), Liechtenstein (18/09/09), Monaco (18/09/09), San Marino (21/09/09), France (22/09/09), Belgium (23/10/09), Argentina (26/10/09), the Netherlands (6/11/09), Portugal (30/11/09), Spain (14/01/10) and lastly with Sweden, Finland, Norway, Denmark, Iceland, Greenland and the Faroe Islands (24/02/10) and Germany (25/11/10). Of the 17 bilateral agreements which have already been ratified, 13 have already entered into force and on 23 February 2011 the regulation was approved developing *Law 3/2009 for the exchange of tax information upon prior request*.

These signed agreements considerably exceed the minimum 12 agreements required by the OECD and, consequently, in February 2010 the OECD included Andorra within the group of jurisdictions considered to have substantially implemented the international tax standards. As a result, the OECD, together with the key executive bodies involved in the international relations of the Principality and the countries of France and Spain, have highlighted the efforts and commitment of Andorra's institutions in adapting to the new economic order.

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); 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” (subsequently 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 BancSabadell d'Andorra, SA was incorporated into the ABA after obtaining the necessary approval.

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, all the banking entities operating in Andorra and at the same time guaranteeing best banking practice and corporate image.

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

The main responsibilities and duties of the ABA are as follows:

- Represent and defend the interests at all levels of its members.
- Protect the prestige, professional image and development and competitiveness of Andorran banking both domestically and internationally. According to this aim, during 2007 and 2008, the ABA undertook a study in order to draw up an Institutional Plan that would allow the Andorran financial system to be guaranteed within the institutional environment, both in Andorra and abroad, ensuring that the statutory standards and regulations of the Andorran financial system are in line with international standards.
- Implement initiatives aimed at improving the sector's technical standards in order to avoid illegal conduct of business by unqualified outsiders and any other irregular activities.
- Promote respectful sector cooperation through reciprocal competition and informing its members of issues of common concern.
- Ensure transparency in the application of conditions to clients and aim to complement professional ethics inherent to the profession.
- Collaborate with public entities either voluntarily or at the request of the Government, local corporations, and other public and parapublic entities by preparing reports, studies and recommendations, and economic action, forecast or recovery plans.
- Set up and participate in foundations and private entities, and participate in public entities and institutions on the condition that their objective

is to promote economic, cultural, sporting and social welfare in the Principality and, in general, improve the standard of living of its citizens.

In this area of activity, the ABA currently collaborates with several non-governmental organisations promoting social responsibility such as: UNICEF, the Red Cross, Mans Unides, Càritas and Infants del Món.

In relation to promoting economic and social welfare, the ABA is a member of the Andorran Chamber of Commerce, Industry and Services (*"Cambra de Comerç, Indústria i Serveis d'Andorra (CCIS)"*) and the Andorran Business Confederation (*"Confederació Empresarial d'Andorra (CEA)"*). The mission of both these institutions is to represent companies in Andorran society, encourage social dialogue, and develop a favourable environment for conducting economic activity.

- Promote the professional training of credit entity personnel, especially adequate training in relation to the prevention of money laundering and financing of terrorism, to ensure each credit entity complies with its obligations to prevent money laundering and safeguard professional secrecy.

During the second half of 2009, the ABA began work on the development of an electronic online training platform related to money laundering and combating the financing of terrorism, which includes up-to-date information and both na-

tional and international legislation on this matter. This online training platform was made available to employees of the Andorran banking sector at the end of 2010 and start of 2011 and all entities are expected to have commenced and concluded training during the first half of 2011.

- Develop, organise and manage services which are of common interest to the Association's members.
- Contribute to the cultural and scientific development of Andorran society and publish details of the functions and services rendered by credit entities in relation to the economic development and mercantile activities of Andorran society to ensure they are satisfactorily appreciated.

The ABA's functional structure comprises a number of technical commissions formed of members of the various Andorran banks, who meet regularly at the ABA's premises. These technical commissions analyse and discuss issues related to their area of work in order to guarantee banking best practice, including the following matters relating to the sector: SEPA, MiFID, exchange of tax information, International Financial Reporting Standards (IFRS), prevention of money laundering and financing of terrorism, strategic projects, indirect tax on services rendered (ISI), the Internal Revenue Service (IRS), compliance, tax on savings, methods of payments, and other areas of interest.

IV.3. The banking sector

The Andorran banking system is based on a universal banking model, including specialised banking services, retail banking and private banking. Andorran banks offer a complete range of banking services, including credit operations, equity management and financial advisory services, liability operations, financial analysis and other services (credit cards, transfers etc.). They also have subsidiaries which are specialised in financing, insurance and asset management.

The most significant aggregate data for Andorran banking for 2009 and 2010 are as follows: [table 1](#)

	2009	2010
Total assets	13,387,424	13,142,190
Loans	6,897,766	7,136,042
Assets under management	27,414,138	27,866,913
Profit	201,505	200,512
ROE	14.26%	13.32%
ROA	1.34%	1.51%
Efficiency ratio	36.80%	39.18%
Capital adequacy ratio	22.02%	22.77%
Liquidity ratio	75.07%	71.76%
Default ratio	2.22%	2.93%
(Thousands of Euros) Source: Association of Andorran Banks		

[table 1]

The Andorran banking system is made up of five banking groups which include the following six banking entities:

■ **Andorra Banc Agrícol Reig, SA**

The Andorra Banc Agrícol Reig Group was formed as a result of the merger in August 2001 between *Banc Agrícol i Comercial d'Andorra, SA* (founded in 1930) and *Banca Reig, SA* (founded in 1956). On 10 May 2002 this bank changed its 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, SAU**

Incorporated in 1952.

Banc Internacional d'Andorra, SA and **Banca Mora, SAU** operate jointly and file consolidated financial statements and other data. 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.

■ **Crédit Andorrà Group**

Incorporated in 1949 and on 31 July 2005 it acquired 100% of *CaixaBank SA*. The data is presented under the name of **Crédit Andorrà Group** in this publication.

■ **BancSabadell d'Andorra, SA**

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

The above mentioned banking entities operate in all the main urban areas of the country through an extensive network of branches. There are a total of 56 branches distributed throughout the seven parishes which comprise the Principality of Andorra. The branches providing banking services in the Principality, together with the number of cash

dispensers and Andorran bank employees, including those abroad, at 31 December 2009 and 2010 are shown below: [\[table 2\]](#)

In 2010 the number of employees has increased by 7.05%, i.e. 112 workers, who are mainly located abroad, in line with the process of international expansion implemented by the Andorran banks. At present, four of the five banking groups are in the process of international expansion, as shown below:

■ **Andbanc**

Andbanc was the first of the Andorran banks to embark on an internationalisation process in 2001 through its opening in Bahamas of the bank *Andbanc (Bahamas) Ltd*. It has subsequently continued to expand internationally by acquiring other wealth management companies, creating representative offices and banking licences, among others, with the aim of positioning itself as one of the leading banks in private banking. It is currently present in Switzerland (*AndPrivateWealth, SA* - wealth management company), Chile (*Andprivatewealth* - financial services), Miami (*Andbanc Wealth Management* - financial services), Mexico (*Columbus* - wealth management company), Luxembourg (*Andbanc Asset Management Luxembourg* - fund management company and *Andbanc Luxembourg* - bank), Hong Kong (Representative office of *Andbanc Luxembourg*), Uruguay (Representative office and *Quest Capital Advisers* - financial advisors), Panama (*Andbanc (Panamá) S.A.* - bank and *Andbanc (Panama) S.A.* - securities firm) and *BVI* (fund management company).

■ **Banc Internacional - Banca Mora (BIBM)**

The **Banc Internacional - Banca Mora Group** began its international expansion in 2008 with the opening of an independent wealth management company, *Mora Wealth Management*, in Zurich, Switzerland's most important financial centre. It continued its international expansion in 2009 with the acquisition of a wealth management company in Miami, USA, which became *Mora Wealth Management Miami*. This corporate transaction was the first to be conducted in North America and provides an excellent platform for rendering services to the private banking market of Latin America.

	Andorra and abroad		Andorra			
	Number of employees		Number of branches		Number of cash dispensers	
	2009	2010	2009	2010	2009	2010
ANDBANC	421	459	11	11	31	28
BIBM	277	294	11	11	32	32
BPA	290	314	8	8	26	27
CRÉDIT ANDORRÀ GROUP	482	517	19	20	44	43
BANCSABADELL D'ANDORRA	118	116	6	6	20	21
TOTAL	1,588	1,700	55	56	153	151

Source: Association of Andorran Banks

[table 2]

■ **Banca Privada d'Andorra, (BPA)**

The Banca Privada d'Andorra Group is present in Luxembourg through BPA Financing, S.à.r.l. (investment and international financing company); in Switzerland through BPA-IPWM (Suisse), SA (a company engaged in financial advisory services, investments and equity management); in Spain through its fund management company BPA Global Funds Asset Management SGIC, SA; and in Panama through Banca Privada d'Andorra (Panama), SA (which has an international banking licence to carry out banking activities for non-resident customers in the country) and through BPA Valores, S.A. (securities trading). The subsidiary Banca Privada d'Andorra (Uruguay), SA I.F.E. (a Uruguayan financial institution licensed to carry out banking activities) is currently undergoing transformation into an investment advisory company.

■ **Crédit Andorrà Group**

The aim of the Crédit Andorrà Group is to guarantee ongoing and sustainable growth and future competitiveness through a plan of internationalisation and diversification of its business activities, bringing them into line with best practices and international standards. The Group currently operates in Andorra, Spain, Switzerland, Luxembourg, Mexico, Panama and Uruguay and has a solid operational structure in Europe and Latin America. In Europe it has continued its expansion process

in 2011 by acquiring 100% of Banque BPP in Luxembourg, an entity which renders private banking services. It has also continued to promote asset management through its collective investment undertakings in Luxembourg (Crediinvest Sicav and Investcredit Sicav), the wealth management company, Private Investment Management, in Switzerland and through Valira Capital Asset Management in Spain, which manages traditional funds and security investment companies while providing custody and management services. In Latin America the Group operates in Panama through the Crédit Andorrà bank (Panama) and the securities firm Crédit Andorrà Panamá Securities and in Uruguay through a representative office in Montevideo. Since 2010 it has offered its services to the Mexican market through CA México Asesores Patrimoniales, an investment advisory company which provides investment portfolio management services, advisory services, securities analysis and investment recommendations. The Group has expanded its insurance business in Spain through the holding company, ERM, with the opening of an office in Madrid. ERM has branch offices in Barcelona, Gerona, Tarragona, Palma (Majorca) Seville and Madrid.

■ **BancSabadell d'Andorra**

In contrast to the other entities, BancSabadell d'Andorra has not embarked on any international expansion plan.

Corporate Social Responsibility (CSR)

Year after year, the entities of the Andorran banking sector have been consolidating their voluntary corporate social responsibility policies, based on responsible growth and a commitment towards society. Andorran entities present their corporate social responsibility policies, applying strict ethical criteria, at the entities themselves or through foundations.

The annual reports and notes to the annual accounts of Andorran entities set out the initiatives being carried out as a result of their commitment towards society. There are numerous examples of these commitments which affect various areas: culture, sport, solidarity, education or the environment. There is an increasing trend in Andorra to present information in the aforementioned reports in a systematic manner, as is the case of other countries, to target groups with special interest in the entity's activities: shareholders, employees, customers, suppliers, society (referred to as "interested parties" or stakeholders). Some of the entities follow the *Global Reporting Initiative* (GRI) standards when drafting corporate social responsibility reports.

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. In 2006, the Global Reporting Initiative published the new GRI G3 guide for preparing sustainability reports, which is most widely used when reporting on strategies and measures taken by organisations from an economic, social and environmental perspective.

A summary of the corporate social responsibility activities carried out by each of the entities which comprise the Andorran banking sector are as follows:

CSR in Andbanc

The Corporate Social Responsibility policy of the Andbanc Group is based on its fundamental corporate values of promoting excellence, professionalism and trust. These are the pillars for the company to grow as a financial and social entity that is fully integrated into an environment where sustainability and concern for the environment prevail. During 2010, Andbanc has continued to consolidate and promote its social projects such as economics, education, culture and sports, which reaffirm the entity's commitment to the country.

Sport continues to be one of the most important areas to which Andbanc contributes through its long-standing sponsorship of sporting activities in collaboration with the Andorran Olympic Committee (COA) aimed at improving Andorran sport and reinforcing its image outside Andorra. Andbanc also supports base sport through its collaboration with the Andorran rally driver Cyril Després in organising the Second Raid for young sporting talent. One of the mainstays of a society is culture and it should be highlighted that Andbanc has collaborated with different entities and embassies to promote the cultures of different countries within Andorra.

CSR in Banc Internacional - Banca Mora (BIBM)

As stated in its mission and values, BIBM considers social responsibility an integral part of its corporate culture and is therefore highly involved with Andorran society. Consequently, it is committed to setting a benchmark in this area with a clear focus on sustainability and respect for the environment and for the second year has been rewarded in the best possible way with its classification as a carbon neutral entity. The Group also promotes social and educational initiatives, the most emblematic of which is the Andorra la Vella Season of Music and Dance and has organised various educational projects on scientific issues with the collaboration of professional institutes. Among its sporting projects, aside from the sponsorship of the Andorran Basketball Club, the Group's most significant initiative has been the renewal of its agreement with FC Barcelona to become an International Partner of the football club. This agreement will confer certain advantages to the Group's customers. All these initiatives are linked to the common goal of demonstrating the Group's commitment to all sectors of Andorran society.

CR in Banca Privada d'Andorra (BPA)

BPA began some time ago to incorporate Corporate Social Responsibility into its philosophy. An internal code of ethics, shared by all the entities comprising the BPA Group, establishes general and professional ethics as the pillars of all the bank's relations with public institutions, regulating and supervisory bodies, customers, personnel and suppliers. The Entity is managed according to economic responsibility criteria, which overall includes integrity, transparency and contribution to the economic development of Andorra. The Banca Privada d'Andorra Private Foundation, created in 2008, carries out the BPA's welfare and environmental activities, giving priority to projects and services which improve the quality of life of the country's citizens and promoting its own projects and those of others in collaboration with the Andorran associations and entities with which it forms a network of solidarity. Of particular importance is the agreement with the Xeridell Occupational Workshop,

which has been working to help find employment for people with disabilities for the last 25 years. One of the most significant events of 2010 has been the awarding of an EFR certificate (Family Responsible Company) to BPA in recognition of its conciliation and equal opportunities policy. BPA is the first Andorran company to obtain this certificate, which is awarded by the Másfamilia Foundation with the backing of the Spanish Ministry of Health, Social Policy and Equality.

CSR in the Crèdit Andorrà Group

Sustainability and commitment to the community are key principles in the management model of the Crèdit Andorrà Group, which is based on ethics and corporate, social and environmental responsibility. An example of this approach was the entity's signature of the United Nation's declaration on the environment in 1998. In 2003 it was the first bank to implement a CSR policy, which was published in its annual report complying with the GRI self-declared application level A. The social involvement of the Crèdit Andorrà Group is evident in its welfare initiatives which include a training programme for the elderly and support for the sick; in its cultural initiatives which include the promotion of music and the arts through the National Chamber Orchestra of Andorra (ONCA), the Ordino Festival Association and the National Theatre of Andorra (ENA), in its educational initiatives which include the awarding of grants and an agreement with the University of Andorra; and in its environmental, sporting and financial initiatives through collaboration with different entities, including the Crèdit Andorrà Chair at the IESE business school. These initiatives demonstrate the entity's commitment to progress and the creation of a better society, tasks to which it has assigned 2.33% of its net profits in 2010, much of which through the Crèdit Andorrà Foundation.

CSR in BancSabadell d'Andorra

BancSabadell d'Andorra considers that CSR is a medium to long-term commitment whereby the most important task is to progressively implement a timetable and a method for implementing measures. BancSabadell d'Andorra's corporate values are: the desire to provide a service, proximity, adaptability, commercial focus, innovation, professionalism, ethics and social responsibility, austerity, prudence and team work. The bank is aware of the fact that social responsibility is a step more than that required by law and has adopted its own ethical standards which are stricter than those legally required and avails of different self-regulating mechanisms. The bank also has a code of conduct, an internal conduct regulation for the area of securities and a Corporate Ethics Committee which is the body in charge of controlling and supervising ethical principles.

Aggregate consolidated balance sheets of Andorran banks

Details of the aggregate consolidated balance sheets of Andorran banking entities for 2009 and 2010 are as follows: [\[table 3\]](#)

ASSETS	2009	% of total	2010	% of total	Var. (%) 09-10
Cash and central banks OECD	99,700	0.75%	96,903	0.74%	(2.81%)
INAF	107,693	0.80%	107,693	0.82%	-
Financial intermediaries	1,734,766	12.98%	1,233,741	9.39%	(28.88%)
Loans	6,822,608	50.94%	7,062,212	53.74%	3.51%
Securities portfolio	3,746,489	27.99%	3,740,049	28.46%	(0.17%)
Gains on consolidation	12,913	0.10%	18,376	0.14%	42.31%
Intangible assets	59,239	0.44%	80,918	0.61%	36.60%
Tangible assets	606,952	4.53%	602,604	4.58%	(0.72%)
Prepayment and accrued receivables	96,751	0.72%	111,632	0.85%	15.38%
Other assets	100,313	0.75%	88,062	0.67%	(12.21%)
TOTAL ASSETS	13,387,424	100.00%	13,142,190	100.00%	(1.83%)
LIABILITIES					
INAF	177,572	1.32%	185,523	1.41%	4.48%
Due to banks and credit entities	147,718	1.10%	441,271	3.36%	-
Other financial intermediaries	23	-	3,123	0.02%	-
Customer deposits	10,950,938	81.80%	10,171,855	77.40%	(7.11%)
Debts represented by securities	257,900	1.92%	377,947	2.88%	46.55%
Provision for liabilities and charges	41,524	0.31%	54,796	0.42%	31.96%
Provision for general risks	51,757	0.39%	37,034	0.28%	(28.45%)
Subordinated liabilities	241,008	1.80%	242,605	1.85%	0.66%
Accruals	67,749	0.51%	88,632	0.67%	30.82%
Other liabilities	91,817	0.69%	78,292	0.60%	(14.73%)
Share capital	280,536	2.10%	290,536	2.21%	3.56%
Reserves	939,701	7.02%	1,034,461	7.87%	10.08%
Profit	201,505	1.51%	200,500	1.53%	(0.50%)
Prior years' result	(44)	-	8	-	-
Interim dividends	(63,000)	(0.47%)	(65,000)	(0.50%)	3.17%
Minority interest	720	-	607	-	(15.69%)
TOTAL LIABILITIES	13,387,424	100.00%	13,142,190	100.00%	(1.83%)

(Thousands of Euros) Source: Association of Andorran Banks

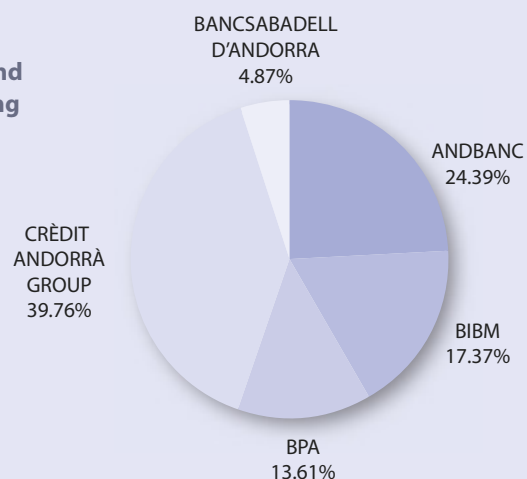
[table 3]

The consolidated balance sheets of each banking group for 2009 and 2010 can be found in chapter "V- Information of Interest".

The distribution of the aggregate balance sheet by banking entity at 31 December 2010 is as follows:

[\[graph 1\]](#)

Distribution of aggregate assets and liabilities by banking entity 2010



Source: Association of Andorran Banks

[graph 1]

Aggregate assets

During 2010 the aggregate balance sheet of the Andorran banks has experienced a decline in aggregate assets, mainly in the "Cash and banks" caption which is 25.94% down on 2009 (-60.99% in 2009). "Loans", "Fixed assets" and "Other assets" have all increased with rises of 3.51%, 3.36% and 1.33%, respectively.

The reduction in "Cash and banks" is mainly due to the instability of the financial markets. Conversely, "Loans" have increased to the extent that they currently represent 53.74% of total aggregate assets and growth has also been recorded in "Investment property" and "Other assets". The "Securities portfolio" caption has remained in line with 2009, representing 28.46% of total aggregate assets.

The graph below shows the evolution of aggregate assets over the last five years, a period which has been characterised by sustained growth up until 2008, in which the increase in aggregate assets of Andorran banks stood at 22.03%. In 2009, as a result of the transfer of customer deposits off the balance sheet, aggregate assets decreased by 15.60%. However, in 2010 this downward trend was more moderate with only a 1.83% drop recorded in relation to 2009. [graph 2]

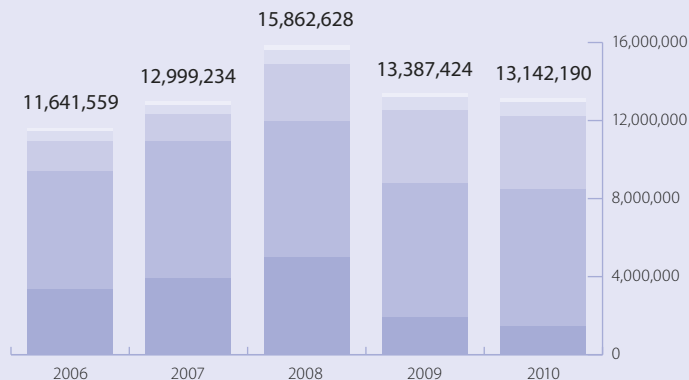
Loans comprise a large part of the structure of total aggregate assets, representing 53.74%. [graph 3]

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

- Cash and banks include deposits in OECD Savings and Central banks, the INAF and financial intermediaries, which include loans with Banks and Credit Entities for four of the five banking groups forming part of the Andorran banking sector.
- Loans include loans and credits, account overdrafts and notes.
- The most important items included under securities portfolio are bonds and other fixed interest securities, investment funds and investments in group companies.
- Fixed assets comprise tangible and intangible assets and positive consolidation differences.
- Other assets include other assets and prepayments and accrued receivables.

**Evolution of
aggregate assets
2006-2010**

■ Cash and banks
■ Loans
■ Securities portfolio
■ Fixed assets
■ Other assets

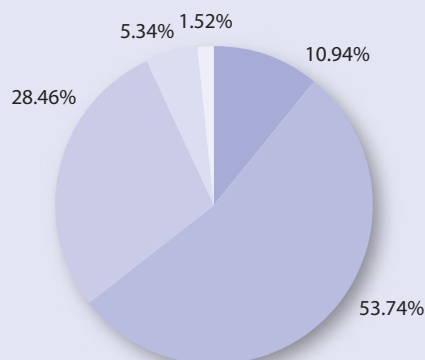


(Thousands of Euros) Source: Association of Andorran Banks

[graph 2]

**Estructure of
aggregate assets
2010**

■ Cash and banks
■ Loans
■ Securities portfolio
■ Fixed assets
■ Other assets



	2010
Cash and banks	1,438,337
Loans	7,062,212
Securities portfolio	3,740,049
Fixed assets	701,898
Other assets	199,694

(Thousands of Euros)

Source: Association of Andorran Banks

[graph 3]

Aggregate liabilities

As can be observed from the graph below, the evolution of aggregate liabilities during the last five years has been characterised by sustained growth in the balance sheets of Andorran banks until 2008. Without doubt, the main source of this growth was the rise in customer deposits, to the detriment of financing in the wholesale banking market. This situation reversed substantially in 2009, with customer deposits decreasing as a consequence of the transfer of customer deposits off the balance sheet. In 2010 this trend reversal has continued. However, despite the almost 94% rise in financing in the wholesale banking market, this caption only represents 4.79% of total aggregate liabilities. [graph 4]

The pie chart below illustrates that the Andorran banks' aggregate liabilities at the 2010 close are characterised by the relative importance of customer deposits to the financing structure of Andorran banks, representing 77.40% of aggregate

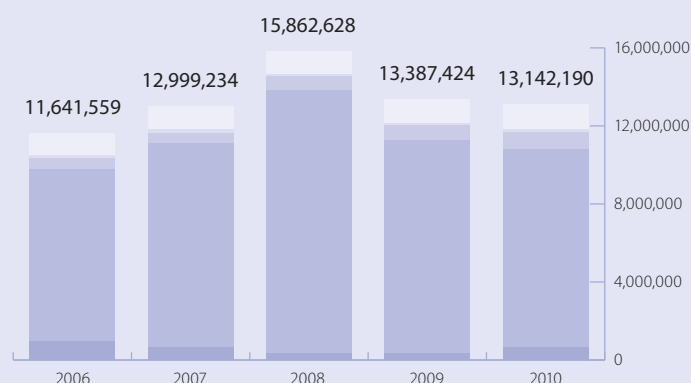
liabilities (81.80% in 2009). "Shareholders' equity" makes up 10.09% and "Results" make up 1.03%, whilst the remaining liabilities are formed mainly of "Other liabilities" (6.69%) and "Financial intermediaries" (4.79%). [graph 5]

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

- Shareholders' equity includes share capital, reserves and minority interests (where applicable).
- Results comprise profit for the year less dividends on account, prior years' profit (where applicable) and minority interests (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.

Evolution of aggregate liabilities 2006-2010

- Financial intermediaries
- Customer deposits
- Other liabilities
- Results
- Shareholders' equity

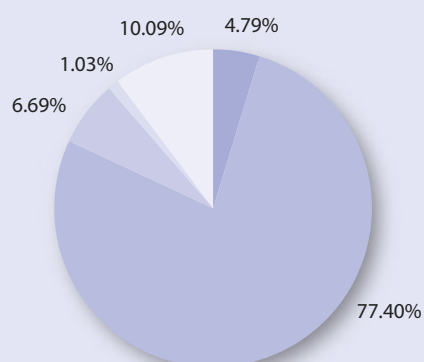


(Thousands of Euros) Source: Association of Andorran Banks

[graph 4]

Structure of aggregate liabilities 2010

- Financial intermediaries
- Customer deposits
- Other liabilities
- Results
- Shareholders' equity



Source: Association of Andorran Banks

[graph 5]

	2010
Financial intermediaries	629,917
Customer deposits	10,171,855
Other liabilities	879,306
Results	135,508
Shareholders' equity	1,325,604

(Thousands of Euros)

Loans

In 2009 loans experienced a decline in growth rate, dropping from 8.46% in 2008 to 1.79% in 2009, primarily because of the impact of the economic slowdown and the greater prudence of entities in extending loans. However, in 2010, a certain level of confidence in the financial markets appears to have been restored with aggregate growth standing at 3.45%.

The following data relates to gross loans, as it does not include the "Provision for loan losses". This data is harmonised in accordance with international standards and therefore does not include loan balances with Banks and Credit Entities, but exclusively customer loans. [table 4]

The graph below shows the evolution of loans during the last two years. During this period, it can be observed that BPA is the banking entity which has shown most growth in absolute terms (Euros 107,934 thousand), followed by BIBM (Euros 35,594 thousand). This situation is the reverse to the previous year, as BPA showed the biggest decline in growth in 2009 whereas in 2010 it has recorded the highest rise in customer loans, increasing by 13.23% (-27.56% in 2009). In line with what has happened

in many other neighbouring countries, the entities of the Andorran financial system have resumed growth in customer loans. [graph 6]

The "Loans" caption represents 53.74% of total aggregate assets, comprising mainly loans and credits to customers. Total collateralised loans represent 72.92%. As shown in the pie chart below, 15.72% of these loans relate to security guarantees, 54.83% to mortgage guarantees and 2.37% to monetary guarantees. 95.88% of loans have a risk rating of "Normal", 1.19% are "Past-due", respectively (97.00% and 0.79% in 2009 and 97.70% and 0.84% in 2008) and 2.93% are classed as "Doubtful" (2.21% in 2009 and 1.46% in 2008). [graph 7]

The aggregate default ratio of Andorran banks is 2.93% at 31 December 2010. This ratio has experienced an upward trend in recent years in line with the deterioration of the economic situation, although the default ratio of Andorran banks has remained considerably lower than the ratios recorded by the credit entities of neighbouring countries.

The table below illustrates the default ratio by financial entity for the past two years: [table 5]

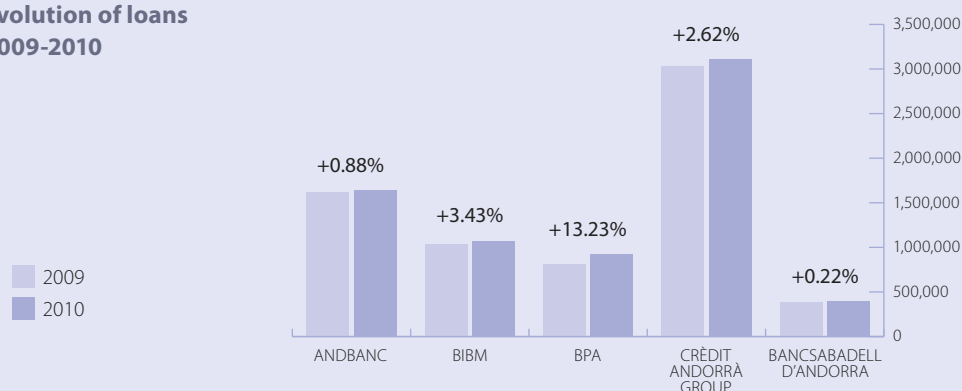
Evolution of loans

	2009	% of total	2010	% of total	Var. (%) 09-10
ANDBANC	1,623,189	23.53%	1,637,528	22.95%	0.88%
BIBM	1,036,461	15.02%	1,072,055	15.02%	3.43%
BPA	815,789	11.83%	923,723	12.94%	13.23%
CRÉDIT ANDORRÀ GROUP	3,030,163	43.93%	3,109,695	43.58%	2.62%
BANCSABADELL D'ANDORRA	392,164	5.69%	393,041	5.51%	0.22%
TOTAL	6,897,766	100.00%	7,136,042	100.00%	3.45%

(Thousands of Euros) Source: Association of Andorran Banks

[table 4]

Evolution of loans 2009-2010



(Thousands of Euros) Source: Association of Andorran Banks

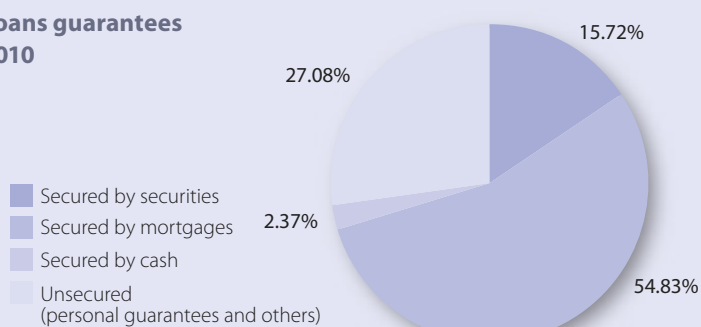
[graph 6]

Customer liabilities

The uncertainty generated by the international financial crisis led to a significant amount of customer funds managed off the balance sheet being transferred to more secure products, such as deposits during 2008. However, the upward trend of international capital markets in 2009 and 2010 has generated a 5.88% fall in customer liabilities (customer deposits managed by banking entities and structured products issued by banks) in relation to 2009 as part of the customer funds has been transferred off the balance sheet. [table 6]

The graph below shows the evolution of customer liabilities over the last two years. It can be observed that BIBM and BPA are the banking entities which have fallen most in absolute terms (Euros 397 million and Euros 183 million, respectively), followed by the Crèdit Andorrà Group and BancSabadell d'Andorra (decreases of Euros 123 million and Euros 31 million, respectively). Conversely, Andbank has increased its customer liabilities by Euros 78 million. In general, this decrease is closely related to the increase experienced by each entity in customer funds managed off the balance sheet. [graph 8]

Loans guarantees 2010



Source: Association of Andorran Banks

[graph 7]

Default ratio

	2009	2010
ANDBANC	4.60%	3.83%
BIBM	1.24%	1.48%
BPA	1.81%	3.27%
CRÈDIT ANDORRÀ GROUP	1.62%	3.17%
BANCSABADELL D'ANDORRA	0.37%	0.54%
AGGREGATE RATIO	2.22%	2.93%

Source: Association of Andorran Banks

[table 5]

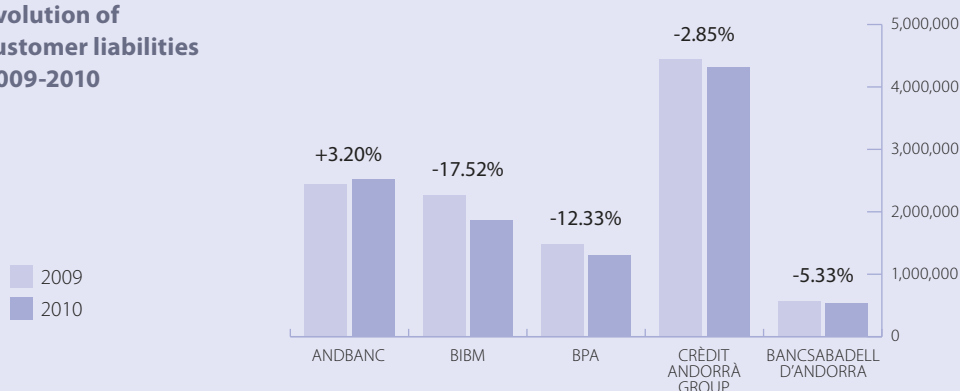
Evolution of customer liabilities

	2009	% of total	2010	% of total	Var. (%) 09-10
ANDBANC	2,439,699	21.77%	2,517,884	23.87%	3.20%
BIBM	2,263,853	20.20%	1,867,277	17.70%	(17.52%)
BPA	1,484,139	13.24%	1,301,103	12.33%	(12.33%)
CRÈDIT ANDORRÀ GROUP	4,445,955	39.66%	4,319,031	40.94%	(2.85%)
BANCSABADELL D'ANDORRA	575,192	5.13%	544,507	5.16%	(5.33%)
TOTAL	11,208,838	100.00%	10,549,802	100.00%	(5.88%)

(Thousands of Euros) Source: Association of Andorran Banks

[table 6]

Evolution of customer liabilities 2009-2010



(Thousands of Euros) Source: Association of Andorran Banks

[graph 8]

Loans to customer liabilities ratio

The following chart shows the evolution of the loans to customer liabilities ratio for the different Andorran banking entities in 2009 and 2010: [table 7]

This ratio has been calculated after harmonising criteria with international standards to ensure the comparability of balances.

The aggregate ratio has risen by 6.10 percentage points whilst in 2009 it rose by 9.94 percentage points. The more moderate rise in this ratio during 2010 compared to 2009 has been due to the less

significant decrease in customer deposits compared to the level recorded in 2009, where it fell by Euros 10,951 million compared to a drop of Euros 10,172 million in 2010.

In general, all the banking entities have seen their loans to customer deposits ratio rise, with the exception of Andbanc, the ratio of which has dropped by 1.49 percentage points in relation to the previous year, due to customer deposits increasing by a higher percentage than customer loans, with rises of 3.20% and 0.88%, respectively. [graph 9]

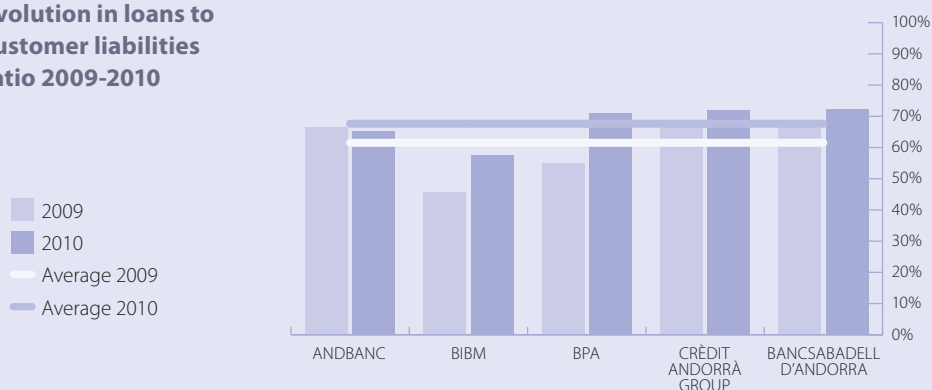
Evolution in loans to customer liabilities ratio

	2009	2010
ANDBANC	66.53%	65.04%
BIBM	45.78%	57.41%
BPA	54.97%	71.00%
CRÉDIT ANDORRÀ GROUP	68.16%	72.00%
BANCSABADELL D'ANDORRA	68.18%	72.18%
AGGREGATE RATIO	61.54%	67.64%

Source: Association of Andorran Banks

[table 7]

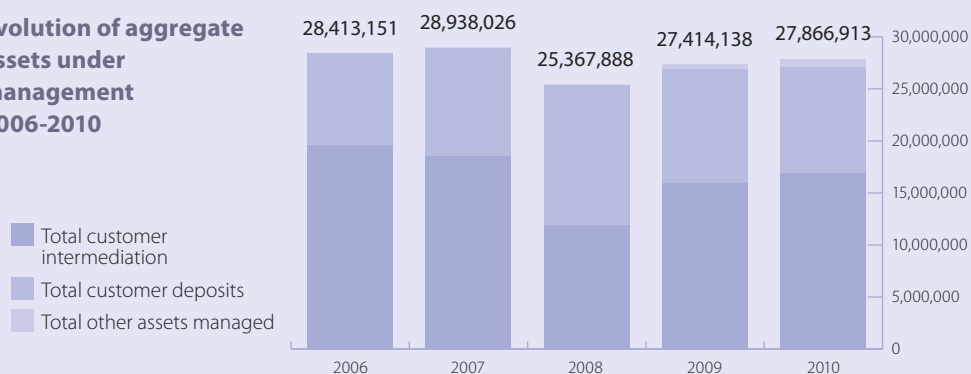
Evolution in loans to customer liabilities ratio 2009-2010



(% Investment/Deposits) Source: Association of Andorran Banks

[graph 9]

Evolution of aggregate assets under management 2006-2010



(Thousands of Euros) Source: Association of Andorran Banks

[graph 11]

Evolution of off balance assets under management

	2009	% of total	2009	% of total	Var. (%) 09-10
ANDBANC	4,651,250	28.25%	5,203,499	29.41%	11.87%
BIBM	4,344,542	26.39%	4,595,796	25.97%	5.78%
BPA	1,807,494	10.98%	2,098,294	11.86%	16.09%
CRÈDIT ANDORRÀ GROUP	4,880,707	29.65%	4,978,991	28.14%	2.01%
BANCSABADELL D'ANDORRA	779,207	4.73%	818,478	4.62%	5.04%
TOTAL	16,463,200	100.00%	17,695,058	100.00%	7.48%

(Thousands of Euros) Source: Association of Andorran Banks

[table 8]

Aggregate assets under management

Aggregate assets under management by Andorran banking entities (including customer deposits and customer intermediation) registered accumulated growth of 6.01% during 2009 and 0.73% in 2010. Customer deposits have declined although this decrease has been offset by the sharp increase in customer intermediation. The positive performance of the financial markets during 2010 has resulted in customer assets managed on the balance sheet continuing to be transferred off the balance sheet, as commenced in 2009. Additionally, the market value of these assets has also risen as a consequence of the positive price effect experienced by customer intermediated assets invested in international capital markets, thus generating a significant increase in customer assets managed off the balance sheet.

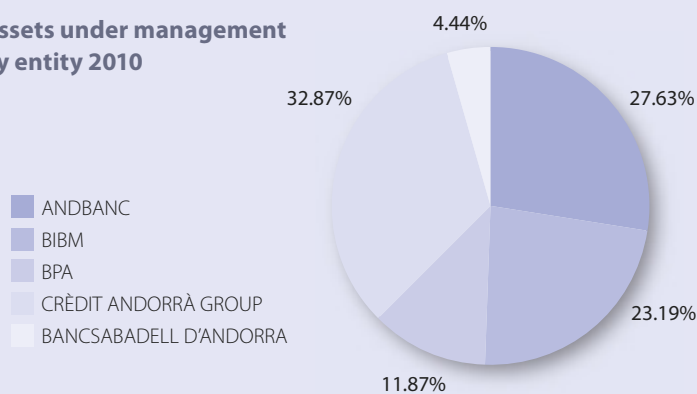
It should be taken into consideration that in addition to customer assets managed on and off the balance sheet by Andorran banks, other assets are also managed by management companies forming part of Andorran banking groups.

The distribution of aggregate assets under management by banking entity, including deposits, customer intermediation and other assets managed, at 31 December 2010, is as follows: [graph 10]

Details of aggregate assets managed off the balance sheet by Andorran banks, taking into consideration assets off the balance sheet and other assets managed by management companies forming part of Andorra banking groups for 2009 and 2010 are as follows: [table 8]

The following graph shows the evolution of assets managed by the banking entities during the last five years, and their distribution between customer deposits, customer intermediation and other managed assets. [graph 11]

Assets under management by entity 2010



Source: Association of Andorran Banks

[graph 10]

As illustrated in the graph above, rising interest rates led to the start of a trend in 2006 to transfer off-the-balance sheet customer assets to the balance sheets.

During 2008 and despite the drop in interest rates, particularly in the last quarter of the year, this trend became more pronounced, primarily because the uncertainty and volatility of the markets, which have been significantly affected by the international financial crisis, have changed investors' willingness to assume risk.

Interest rates remained very low in 2009 and 2010 and the international financial markets have registered a clear upward trend, thus reversing the trend begun in 2006 with growth in customer assets managed off the balance sheet of 35.24% in 2009 and 7.48% in 2010, to the detriment of customer liabilities, which dropped by 18.24% in 2009 and 7.11% in 2010.

Aggregate consolidated memorandum accounts of Andorran banks

Details of the aggregate memorandum accounts of Andorran banks for 2009 and 2010 are as follows: [table 9]

Chapter "V- Information of interest" shows the consolidated memorandum accounts of each banking group. Details of the aggregate memorandum accounts of each entity for 2009 and 2010 are as follows: [graph 12]

During 2010 aggregate memorandum accounts have continued the upward trend initiated in 2009

with an increase of 3.46% (2008 vs. 2009: +8.70%, 2007 vs. 2008 -25.65%) and amounting to a total of Euros 32,218 million.

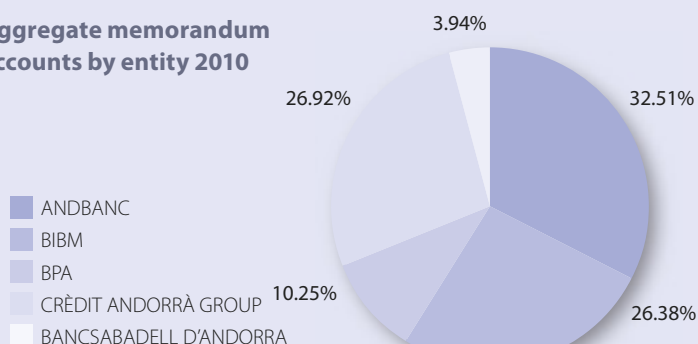
The largest caption, "Securities deposited and others held in custody", representing 60.97% of total aggregate memorandum accounts of Andorran banks is up 1.22% on the previous year (2008 vs. 2009: +33.94%). The "Futures operations" caption is also up, with a rise of 3.62%, thereby raising the specific importance of these operations to 20.44% of total aggregate memorandum accounts. This increase is due to the moderate growth in futures operations generated by the higher number of future currency sales and purchases made as a result of the currency risk to which the balance sheets of both Andorran banks and their customers were exposed, and also interest rate futures operations and, to a lesser extent, options on financial instruments.

In addition, despite the slight rise in customer loans, "Contingent liabilities" and "Commitments and contingent risks" are down 8.06% on 2009 and, therefore, the off balance sheet trend has been even more prudent and conservative than the policy for extending and renewing asset operations.

The "Other memorandum accounts for administrative control purposes only" caption, which includes guarantees and commitments received and other memorandum accounts, has increased by 21.43% compared to the previous year (-6.06% in 2009). At 31 December 2010 this caption represents 13.32% of the total aggregate memorandum accounts of Andorran banks, similar to the percentage for 2009 (11.34%).

A breakdown of aggregate memorandum accounts at 31 December 2010 is as follows: [graph 13]

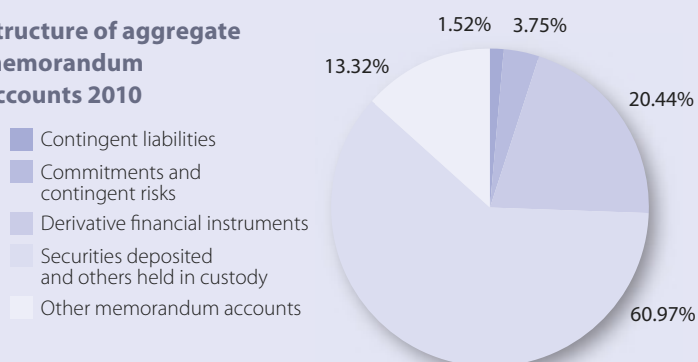
Aggregate memorandum accounts by entity 2010



Source: Association of Andorran Banks

[graph 12]

Structure of aggregate memorandum accounts 2010



Source: Association of Andorran Banks

[graph 13]

Evolution of aggregate memorandum accounts

	2009	% of total	2010	% of total	Var. (%) 09-10
Contingent liabilities	529,092	1.70%	488,853	1.52%	(7.61%)
Commitments and contingent risks	1,316,860	4.23%	1,208,383	3.75%	(8.24%)
Derivative financial instruments	6,355,599	20.41%	6,585,369	20.44%	3.62%
Securities deposited and others held in custody	19,406,687	62.32%	19,644,332	60.97%	1.22%
Other memorandum accounts	3,533,461	11.34%	4,290,735	13.32%	21.43%
TOTAL	31,141,699	100.00%	32,217,672	100.00%	3.46%

(Thousands of Euros) Source: Association of Andorran Banks

[table 9]

Aggregate consolidated income statements for Andorran banks

Details of the aggregate consolidated income statements of Andorran banks for 2009 and 2010 are as follows: [table 10]

Chapter "V- Information of interest" shows the consolidated income statements of each banking group for 2009 and 2010.

As a whole the Andorran banking entities have generated profits of Euros 201 million in 2010, 0.49% down on the previous year (2008 vs. 2009: +2.20%; 2007 vs. 2008: -44.28%). This slight drop in profits for Andorran banks reported during 2010 has been driven mainly by a significant increase in personnel expenses and general expenses incurred on the

major international expansion undertaken by four of the five entities and a sharp fall in profits from financial operations, which are 43.75% down on 2009. Nevertheless, net fees and commission on services are up 20.13%.

Consequently, in a year which has been critical for the international financial system, the Andorran banks have obtained aggregate profits of more than Euros 200 million, maintaining good aggregate capital adequacy and liquidity ratios, which have stood at 22.77% and 71.76%, respectively, and are much higher than those of many international financial entities.

	2009	2010	Var. (%) 09-10
Interest and similar income	378,567	261,996	(30.79%)
Interest and similar charges	(195,071)	(80,918)	(58.52%)
Revenue from variable income securities	330	290	(12.12%)
FINANCIAL MARGIN	183,826	181,368	(1.34%)
Comission	255,109	306,452	20.13%
Profits on financial operations	81,377	45,778	(43.75%)
Other profit on ordinary activities	2,650	2,172	(18.04%)
GROSS MARGIN	522,962	535,770	2.45%
Personnel expenses	(110,532)	(120,923)	9.40%
General expenses	(125,187)	(136,872)	9.33%
Depreciation and provisions, net of recoveries	(51,157)	(50,898)	(0.51%)
Provisions for depreciation of assets, net of recoveries	(4,072)	(536)	(86.84%)
OPERATING MARGIN	232,014	226,541	(2.36%)
Provisions for loan losses, net of recoveries	(21,734)	(32,643)	50.19%
Provisions for liabilities and charges, net of recoveries	(3,204)	(13,854)	-
Allowance to provision for general risks	(9,200)	(4,900)	(46.74%)
PROFIT ON ORDINARY ACTIVITIES	197,876	175,144	(11.49%)
Net extraordinary income	3,611	25,206	-
Losses attributable to minority interest	18	162	-
PROFIT ATTRIBUTABLE TO THE GROUP	201,505	200,512	(0.49%)

(Thousands of Euros) Source: Association of Andorran Banks

[table 10]

Financial margin

As can be seen from the table below, in 2010 the aggregate financial margin of Andorran banking entities amounted to Euros 181,368 thousand and decreased by 1.34% in relation to 2009 (2008 vs. 2009: +8.89%; 2007 vs. 2008: +6.92%). Most entities have achieved positive margins as interest paid on customer deposits has fallen to a greater extent than interest and similar income earned. [table 11]

The evolution of the aggregate financial margin for the last five years, together with the financial margin by banking entity for 2009 and 2010 are shown in the graphs below: [graphs 14 and 15]

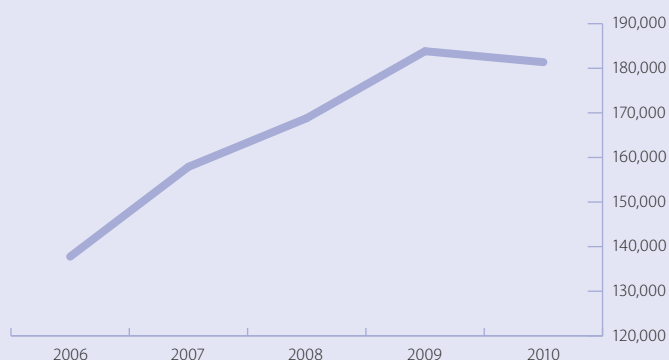
Financial margin by banking entity

	2009	2010	Var. (%) 09-10
ANDBANC	43,352	45,104	4.04%
BIBM	39,934	28,122	(29.58%)
BPA	24,271	26,786	10.36%
CRÈDIT ANDORRÀ GROUP	68,523	71,405	4.21%
BANCSABADELL D'ANDORRA	7,746	9,951	28.47%
TOTAL	183,826	181,368	(1.34%)

(Thousands of Euros) Source: Association of Andorran Banks

[table 11]

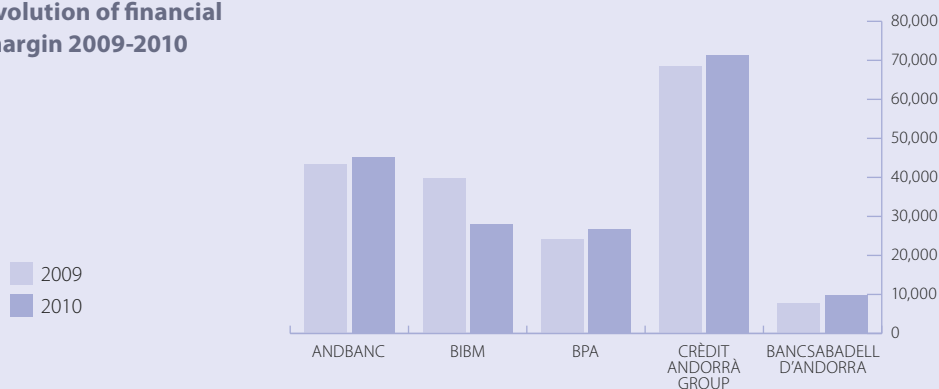
Evolution of aggregate financial margin 2006-2010



(Thousands of Euros) Source: Association of Andorran Banks

[graph 14]

Evolution of financial margin 2009-2010



(Thousands of Euros) Source: Association of Andorran Banks

[graph 15]

Gross margin

The table below shows that the aggregate gross margin has risen by 2.45% in 2010, with an increase of Euros 12,808 thousand (2008 vs. 2009: +7.55%; 2007 vs. 2008: -23.20%). The significant increase of 20.13% (-9.98% in 2009) in net fees and commission generated on the products and services offered during 2010 has been offset by a 43.75% drop in profits from financial operations, which have decreased from Euros 81,377 thousand in 2009 to Euros 45,778 thousand in 2010. [table 12]

The aggregate gross margin for each banking entity over the last five years, together with a graph showing its evolution over the period 2006 to 2010 is as follows: [graphs 16 and 17]

The following graph shows that income from commission continues to be the most significant item in terms of its contribution to the gross margin, although it appears that this trend is reversing year-on-year, with an increase in the contribution to the financial margin in detriment to net commissions. A slight decrease in the contribution of results of financial operations to the gross margin can be observed, with a reduction of almost Euros 36 million in 2010. [graph 18]

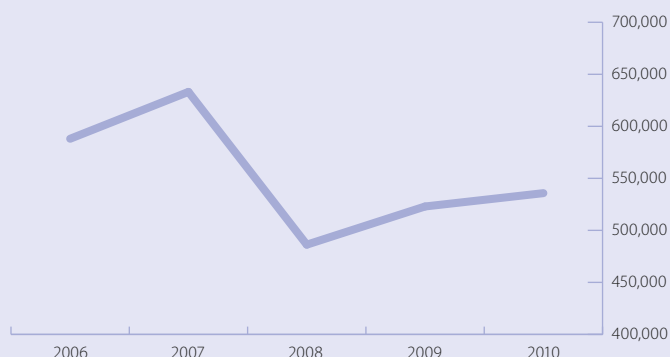
Gross margin by banking entity

	2009	2010	Var. (%) 09-10
ANDBANC	136,437	141,684	3.85%
BIBM	114,399	114,319	(0.07%)
BPA	88,498	83,460	(5.69%)
CRÈDIT ANDORRÀ GROUP	164,449	175,657	6.82%
BANCSABADELL D'ANDORRA	19,179	20,650	7.67%
TOTAL	522,962	535,770	2.45%

(Thousands of Euros) Source: Association of Andorran Banks

[table 12]

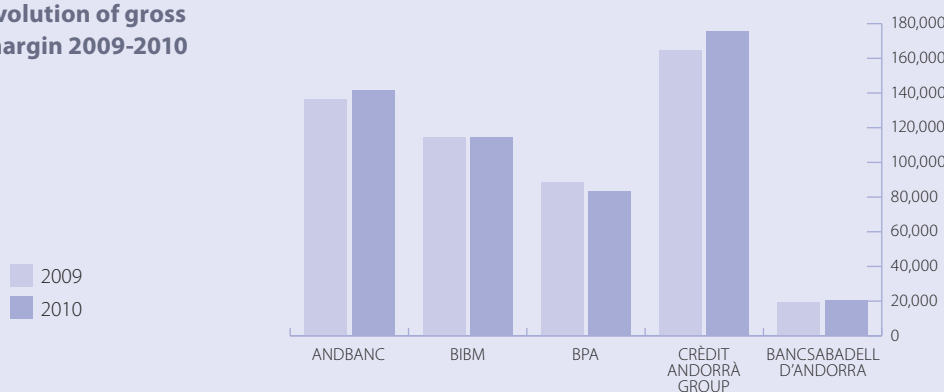
Evolution of aggregate gross margin 2006-2010



(Thousands of Euros) Source: Association of Andorran Banks

[graph 16]

Evolution of gross margin 2009-2010

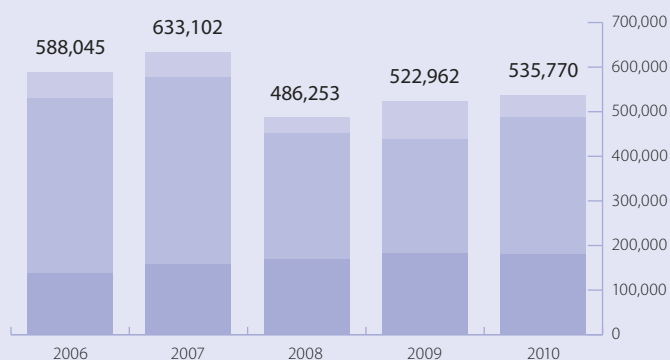


(Thousands of Euros) Source: Association of Andorran Banks

[graph 17]

Evolution of aggregate gross margin 2006-2010

Financial margin
Net commissions
Profits on financial
operations and profit
on ordinary activities



(Thousands of Euros) Source: Association of Andorran Banks

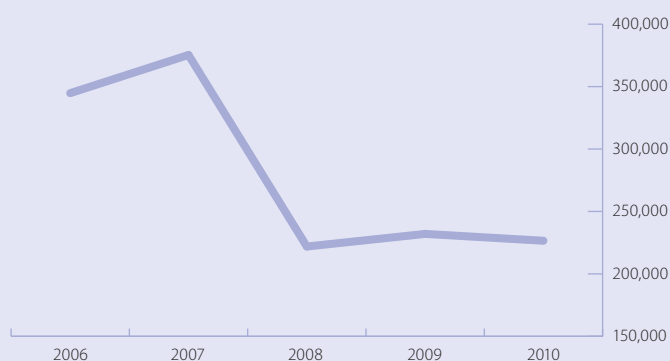
[graph 18]

Net operating margin

As shown in the table below, the net operating margin is 2.36% down on 2009 (+4.55% in 2009), mainly because of the increase in personnel and general expenses which are up 9.40% and 9.33%, respectively. [table 13]

The aggregate net operating margin for each banking entity over the last five years, together with a graph showing its evolution over the period 2006 to 2010 is as follows: [graphs 19 and 20]

Evolution of aggregate net operating margin 2006-2010

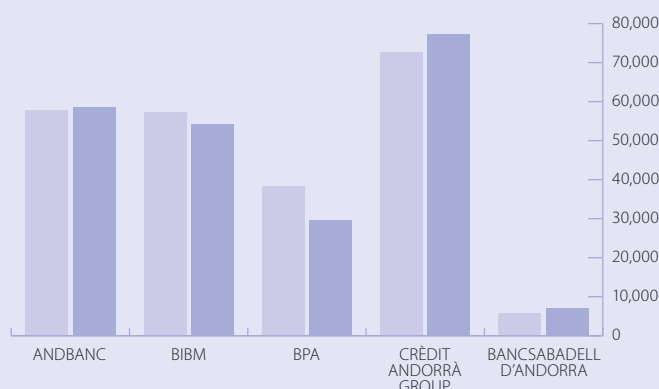


(Thousands of Euros) Source: Association of Andorran Banks

[gràfic 19]

Evolution of net operating margin 2009-2010

2009
2010



(Thousands of Euros) Source: Association of Andorran Banks

[gràfic 20]

Net operating margin

	2009	2010	Var. (%) 09-10
ANDBANC	57,890	58,461	0.99%
BIBM	57,246	54,138	(5.43%)
BPA	38,364	29,570	(22.92%)
CRÉDIT ANDORRÀ GROUP	72,678	77,280	6.33%
BANCSABADELL D'ANDORRA	5,836	7,092	21.52%
TOTAL	232,014	226,541	(2.36%)

(Thousands of Euros) Source: Association of Andorran Banks

[table 13]

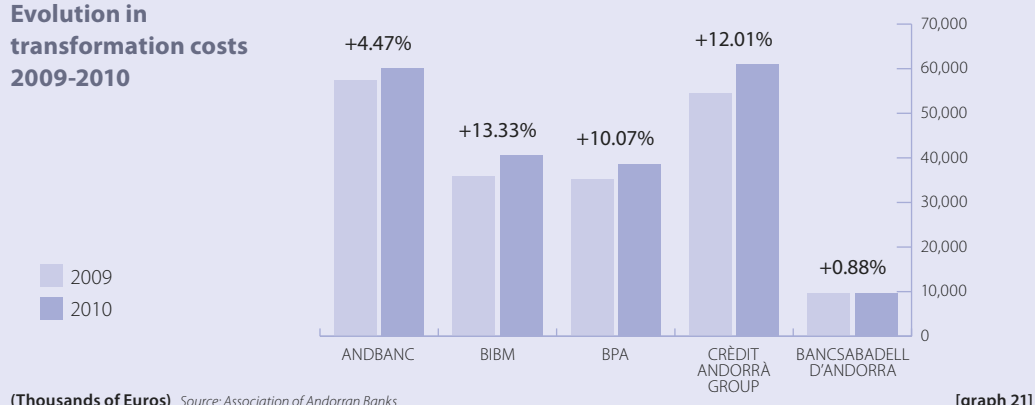
Transformation costs

During 2010, aggregate transformation costs of Andorran banking entities, which comprise "Personnel expenses" and "General expenses" (including "Taxes", with the exception of taxes related to taxation on banking services rendered) have amounted to Euros 209,928 thousand, up 9.09% on 2009. The evolution of the transformation costs in the Andorran banks during 2010 denotes that, despite the current international crisis generated in the financial market, they have increased the number of employees, continued in their international expansion plan and consolidated the domestic market, whilst pursuing a stringent policy of optimising costs.

Changes in transformation costs from 2009 to 2010 for each of the banking entities comprising the Andorran banking system are as follows: [graph 21]

The composition of the Andorran banks' transformation costs has changed in recent years, with personnel expenses increasingly gaining relative importance compared to general expenses. Changes in the composition of transformation costs during the last five years are shown in the following graph: [graph 22]

Evolution in transformation costs 2009-2010



[graph 21]

Changes in the structure of aggregate transformation costs 2006-2010



[graph 22]

When analysing changes in transformation costs, *the efficiency ratio* of the banking entities, which is an indicator used to measure the part of the gross margin absorbed by transformation costs of each entity, should also be considered.

The aggregate efficiency ratio of Andorran banking entities for 2010 stands at 39.18%, which is 2.38 per-

centage points up on the ratio for 2009. The reason for this increase is that transformation costs have raised in greater proportion than the increase in the gross margin. Despite this slight increase, efficiency continues to be a key differentiating factor of the management model of Andorran banks and if the efficiency rate of Andorran banks is compared with that of banking sectors in other European countries it continues to be one of the lowest rates.

Efficiency ratio by banking entity

	2009	2010
ANDBANC	42.13%	42.38%
BIBM	31.30%	35.50%
BPA	39.71%	46.35%
CRÈDIT ANDORRÀ GROUP	33.07%	34.68%
BANCSABADELL D'ANDORRA	50.15%	46.99%
AGGREGATE RATIO	36.80%	39.18%

Source: Association of Andorran Banks

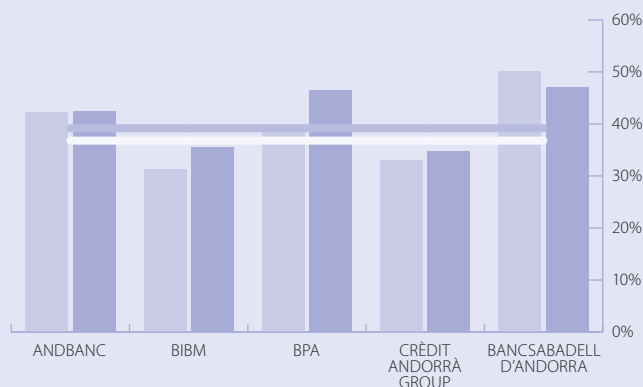
[table 14]

A graph and table showing the efficiency ratios of each entity for 2009 and 2010 are presented below. [table 14]

Changes in the efficiency ratios of Andorran banking entities between 2009 and 2010 are as follows: [graph 23]

Evolution of efficiency ratios of Andorran banking entities 2009-2010

■ 2009
■ 2010
— Average 2009
— Average 2010



Source: Association of Andorran Banks

[graph 23]

Profit

As a result of the 2.45% rise in gross margin and the very moderate increase in transformation costs after amortisation, the aggregate net operating margin stands at Euros 226,541 thousand, up 2.36% on the same period of the previous year (2008 vs. 2009: +4.55%). This factor, together with a 50.56% rise in provision expenses, has caused the aggregate profit of Andorran banking entities to fall by 0.49% compared to 2009, when the profit of the banks rose by 2.20% (2007 vs. 2008: -44.28%). These profits, amounting to almost Euros 201 million and

in line with those of the previous year, have been positively valued, taking into consideration the international economic scenario and especially the performance of global financial markets during 2010.

The graph below plots the changes in the aggregate profit of Andorran banking entities from 2006 to 2010 and the table illustrates the profit for each banking entity: [graph 24 and table 15]

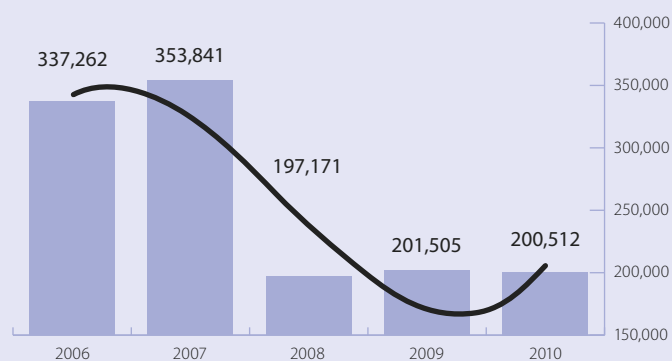
Profit by banking entity

	2009	2010	Var. (%) 09-10
ANDBANC	44,357	40,778	(8.07%)
BIBM	50,116	50,629	1.02%
BPA	25,125	25,154	0.12%
CRÈDIT ANDORRÀ GROUP	76,655	77,816	1.51%
BANCSABADELL D'ANDORRA	5,252	6,135	16.81%
TOTAL	201,505	200,512	(0.49%)

(Thousands of Euros) Source: Association of Andorran Banks

[table 15]

Evolution in aggregate profit 2006-2010



(Thousands of Euros) Source: Association of Andorran Banks

[graph 24]

Equity

Details of the equity of the Andorran banking groups at 31 December 2010 are as follows: [table 16]

The evolution of the equity of the banking groups in the Andorran financial system during 2009 and 2010 is as follows: [graph 25]

Equity by banking entity (*)

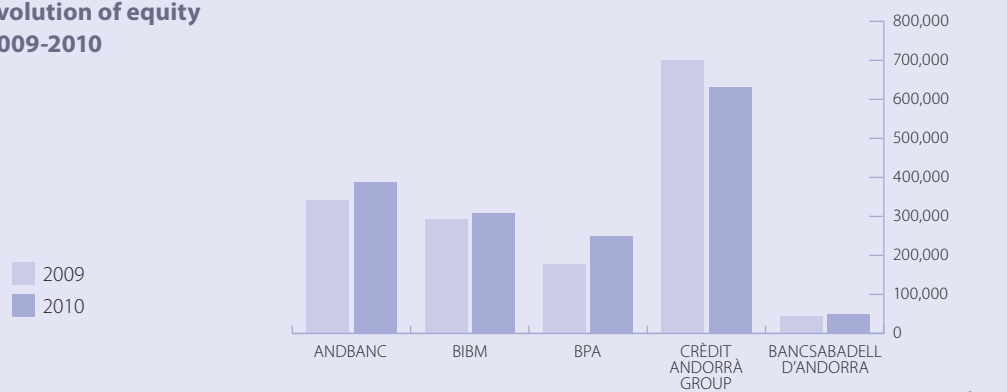
	Total Equity
ANDBANC	388.459
BIBM	308.312
BPA	249.726
CRÈDIT ANDORRÀ GROUP	632.340
BANCSABADELL D'ANDORRA	49.241
TOTAL	1.628.078

(*) This includes subordinated liabilities

(Thousands of Euros) Source: Association of Andorran Banks

[table 16]

Evolution of equity 2009-2010



Source: Association of Andorran Banks

[graph 25]

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 positive reputation for being solvent at an international level, minimum 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 2009 and 2010 which, as can be clearly observed, significantly exceed the established minimums: [table 17](#)

The table above shows that the average capital adequacy ratio of Andorran banks at 31 December 2010 stands at 22.77%, 0.75 percentage points higher than in the previous year, which is still much higher than that of leading international private, retail or universal banking entities.

The aggregate liquidity ratio of Andorran banks at the same date stands at 71.76%, 3.31 percentage points lower than the figure for 2009. Despite the fact that the lack of confidence in international financial markets has restricted somewhat the interbank liquidity market, Andorran banking entities have demonstrated their privileged position, even managing to maintain their liquidity ratios at a similar level to previous years.

These two ratios illustrate the conservative and prudent management of Andorran banks.

	Capital adequacy		Liquidity	
	2009	2010	2009	2010
ANDBANC	20.21%	22.29%	50.71%	78.04%
BIBM	21.17%	29.27%	101.62%	94.78%
BPA	21.60%	32.12%	78.53%	70.49%
CRÉDIT ANDORRÀ GROUP	23.45%	18.81%	71.06%	54.68%
BANCSABADELL D'ANDORRA	14.15%	15.41%	76.44%	76.02%
AGGREGATE RATIO	22.02%	22.77%	75.07%	71.76%

Source: Association of Andorran Banks [table 17]

Average return on equity (ROE)

The average return on equity of Andorran banks for the year ended 31 December 2010 was 13.32% (calculating profit/average equity), down 0.94 percentage points on 2009.

The following table and graph show the average return on equity for each banking entity in 2009 and 2010. [table 18 and graph 26](#)

Average return on equity (ROE)		
	2009	2010
ANDBANC	14.41%	10.60%
BIBM	20.45%	18.82%
BPA	20.95%	12.80%
CRÉDIT ANDORRÀ GROUP	11.01%	12.83%
BANCSABADELL D'ANDORRA	11.87%	12.66%
AGGREGATE RATIO	14.26%	13.32%

Source: Association of Andorran Banks [table 18]

Average return on equity by banking entity 2009-2010



Source: Association of Andorran Banks

[graph 26]

Return on average assets (ROA)

The return on average assets of Andorran banks for the year ended 31 December 2010 stands at 1.51%, 0.17 percentage points up on 2009. Following the decline in this indicator in 2008 which continued during 2009, an upward trend has been resumed in 2010.

The following table and graph show the return on average assets (i.e. profit/average total assets) for each banking entity in 2009 and 2010: [table 19 and graph 27]

It should be noted that both the return on average assets (ROA) and return on average equity (ROE) exceed those of the banking sectors of other European countries.

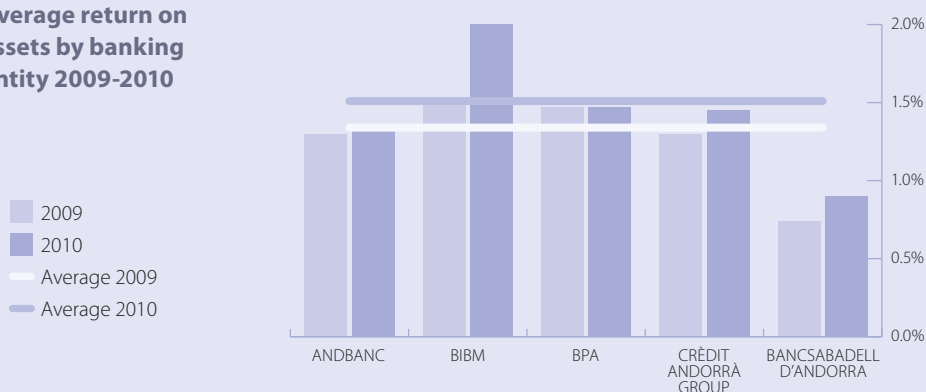
Average return on assets (ROA)

	2009	2010
ANDBANC	1.30%	1.35%
BIBM	1.53%	2.00%
BPA	1.47%	1.47%
CRÉDIT ANDORRÀ GROUP	1.30%	1.45%
BANCSABADELL D'ANDORRA	0.74%	0.90%
AGGREGATE RATIO	1.34%	1.51%

Source: Association of Andorran Banks

[table 19]

Average return on assets by banking entity 2009-2010



Source: Association of Andorran Banks

[graph 27]

Ratings

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 the ratings given to some of Andorra's banking entities in 2010. [table 20]

The latest sovereign rating update for the Principality of Andorra by Standard & Poor's at August 2010 has been A for the long term and A-1 for the short term with a negative outlook. These ratings reflect the impact of the international economic

and financial situation of neighbouring countries on the growth of the Andorran economy in 2010 and the outlook for 2011. A negative outlook has been forecast mainly because of the budget deficit recorded by the Andorran Government and the downward trend of tourism in the Principality, which, as previously mentioned, is one of the country's main sources of income. Nevertheless, the Andorran Government is making continuous efforts to improve the quality of and diversify tourism in the Principality, the competitiveness of the financial system and the country's capacity to face external vulnerability.

	Ratings			Agency
	Long term	Short term	Financial strength	
ANDBANC	A-	F2	B/C	Fitch Ratings
BIBM	A2	P-1	C+	Moody's
BPA	BB+	B	C/D	Fitch Ratings
CRÈDIT ANDORRÀ GROUP	A	F1	B	Fitch Ratings
BANCSABADELL D'ANDORRA (*)	-	-	-	-

(*) 51% interest held by Banc Sabadell

Source: Rating agencies reports as of May 2011

[table 20]



V

V INFORMATION OF INTEREST⁽¹⁾

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Chairman:

Mr. Manel Cerqueda Donadeu

Vice Chairman:

Mr. Oriol Ribas Duró

Director - General Manager:

Mr. Jordi Comas Planas

Corporate Assistant General Manager:

Mr. José Luis Muñoz Lasuén

Business Assistant General Manager:

Mr. Ricard Tubau Roca

V.1. Andorran banking groups

Consolidated balance sheets of Andorra Banc Agrícola Reig, SA (Andbanc) at 31 December 2009 and 2010

ASSETS	2009	% of total	2010	% of total	Var. (%) 09-10
Cash and central banks OECD	12,987	0.44%	13,890	0.43%	6.95%
INAF	18,066	0.61%	18,066	0.56%	-
Financial intermediaries	328,526	11.14%	423,297	13.21%	28.85%
Loans	1,594,259	54.07%	1,611,225	50.27%	1.06%
Securities portfolio	801,088	27.17%	948,844	29.60%	18.44%
Gains on consolidation	8,533	0.29%	14,500	0.45%	69.93%
Intangible assets	12,444	0.42%	12,189	0.38%	(2.05%)
Tangible assets	114,499	3.88%	116,838	3.65%	2.04%
Prepayment and accrued receivables	29,585	1.00%	25,584	0.80%	(13.52%)
Other assets	28,801	0.98%	20,631	0.65%	(28.37%)
TOTAL ASSETS	2,948,788	100.00%	3,205,064	100.00%	8.69%
LIABILITIES					
INAF	19,149	0.65%	18,992	0.59%	(0.82%)
Due to banks and credit entities	92,147	3.13%	195,397	6.10%	-
Other financial intermediaries	-	-	-	-	-
Customer deposits	2,439,699	82.74%	2,494,884	77.84%	2.26%
Debts represented by securities	-	-	23,000	0.72%	-
Provision for liabilities and charges	6,766	0.23%	7,958	0.25%	17.62%
Provision for general risks	2,800	0.09%	800	0.02%	(71.43%)
Subordinated liabilities	-	-	-	-	-
Accruals	21,552	0.73%	16,940	0.53%	(21.40%)
Other liabilities	25,934	0.88%	31,603	0.99%	21.86%
Share capital	78,061	2.65%	78,061	2.43%	-
Reserves	218,323	7.40%	296,651	9.26%	35.88%
Profit	44,357	1.50%	40,778	1.27%	(8.07%)
Prior years' result	-	-	-	-	-
Interim dividends	-	-	-	-	-
Minority interest	-	-	-	-	-
TOTAL LIABILITIES	2,948,788	100.00%	3,205,064	100.00%	8.69%

(Thousands of Euros) Source: Annual report of banking entity

(1) Information of interest relates to posts occupied by individuals prior to 31 May 2011

**Consolidated memorandum accounts of Andorra Banc Agrícola Reig, SA (Andbanc)
at 31 December 2009 and 2010**

	2009	% of total	2010	% of total	Var. (%) 09-10
Contingent liabilities	81,376	0.80%	107,419	1.02%	32.00%
Commitments and contingent risks	330,444	3.27%	261,953	2.50%	(20.73%)
Derivative financial instruments	2,654,302	26.23%	2,357,099	22.51%	(11.20%)
Securities deposited and others held in custody	5,568,058	55.02%	6,138,398	58.62%	10.24%
Other memorandum accounts	1,485,570	14.68%	1,607,441	15.35%	8.20%
TOTAL	10,119,750	100.00%	10,472,310	100.00%	3.48%

(Thousands of Euros) Source: Annual report of banking entity

**Consolidated income statements of Andorra Banc Agrícola Reig, SA (Andbanc)
for the years ended 31 December 2009 and 2010**

	2009	2010	Var. (%) 09-10
Interest and similar income	83,825	61,743	(26.34%)
Interest and similar charges	(40,482)	(16,625)	(58.93%)
Revenue from variable income securities	9	(14)	-
FINANCIAL MARGIN	43,352	45,104	4.04%
Comission	64,402	86,675	34.58%
Profits on financial operations	27,223	9,024	(66.85%)
Other profit on ordinary activities	1,460	881	(39.66%)
MARGIN ON ORDINARY ACTIVITIES	136,437	141,684	3.85%
Personnel expenses	(36,771)	(40,078)	8.99%
General expenses	(32,414)	(32,721)	0.95%
Amortisation and depreciation, net of recoveries	(9,035)	(10,097)	11.75%
Provisions for depreciation of assets, net of recoveries	(327)	(327)	-
OPERATING MARGIN	57,890	58,461	0.99%
Provisions for loan losses, net of recoveries	(9,992)	(17,882)	78.96%
Provisions for liabilities and charges, net of recoveries	2,299	(881)	-
Allowance to provision for general risks	(2,000)	-	-
PROFIT ON ORDINARY ACTIVITIES	48,197	39,698	(17.63%)
Net extraordinary income	(3,840)	1,080	-
Losses attributable to minority interest	-	-	-
PROFIT ATTRIBUTABLE TO THE GROUP	44,357	40,778	(8.07%)

(Thousands of Euros) Source: Annual report of banking entity

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Chairman of the Board:

Mr. Francesc Mora Sagués

Director - General Manager:

Mr. Joan Quera Font

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Chairman of the Board:

Mr. Jordi Mora Magriñà

Director - General Manager:

Mr. Joan Quera Font

**Consolidated balance sheets of Banc Internacional d'Andorra, SA, Banca Mora, SAU (BIBM)
at 31 December 2009 and 2010**

	2009	% of total	2010	% of total	Var. (%) 09-10
ASSETS					
Cash and central banks OECD	37,870	1.42%	24,661	1.08%	(34.88%)
INAF	28,641	1.08%	28,641	1.25%	-
Financial intermediaries	260,739	9.80%	160,413	7.03%	(38.48%)
Loans	1,030,807	38.73%	1,066,574	46.71%	3.47%
Securities portfolio	1,162,380	43.67%	866,144	37.93%	(25.49%)
Gains on consolidation	3,206	0.12%	2,724	0.12%	(15.03%)
Intangible assets	12,988	0.49%	15,935	0.70%	22.69%
Tangible assets	95,782	3.60%	94,977	4.16%	(0.84%)
Prepayment and accrued receivables	23,726	0.89%	18,271	0.80%	(22.99%)
Other assets	5,362	0.20%	5,097	0.22%	(4.94%)
TOTAL ASSETS	2,661,501	100.00%	2,283,437	100.00%	(14.20%)
LIABILITIES					
INAF	40,607	1.53%	40,450	1.77%	(0.39%)
Due to banks and credit entities	7,454	0.28%	9,991	0.44%	34.04%
Other financial intermediaries	23	-	-	-	-
Customer deposits	2,263,853	85.06%	1,867,277	81.77%	(17.52%)
Debts represented by securities	-	-	-	-	-
Provision for liabilities and charges	18,262	0.69%	14,007	0.61%	(23.30%)
Provision for general risks	6,900	0.26%	11,600	0.51%	68.12%
Subordinated liabilities	60,000	2.26%	60,000	2.63%	-
Accruals	12,884	0.48%	16,815	0.74%	30.51%
Other liabilities	11,768	0.44%	7,968	0.35%	(32.29%)
Share capital	42,407	1.59%	42,407	1.86%	-
Reserves	175,212	6.58%	190,276	8.33%	8.60%
Profit	50,116	1.88%	50,629	2.22%	1.02%
Prior years' result	-	-	-	-	-
Interim dividends	(28,000)	(1.05%)	(28,000)	(1.23%)	-
Minority interest	15	-	17	-	13.33%
TOTAL LIABILITIES	2,661,501	100.00%	2,283,437	100.00%	(14.20%)

(Thousands of Euros) Source: Annual report of banking entity

**Consolidated memorandum accounts of Banc Internacional d'Andorra, SA, Banca Mora, SAU (BIBM)
at 31 December 2009 and 2010**

	2009	% of total	2010	% of total	Var. (%) 09-10
Contingent liabilities	121,384	1.47%	106,344	1.25%	(12.39%)
Commitments and contingent risks	314,603	3.81%	294,458	3.47%	(6.40%)
Derivative financial instruments	1,487,472	18.03%	1,859,106	21.87%	24.98%
Securities deposited and others held in custody	5,324,896	64.55%	5,121,363	60.25%	(3.82%)
Other memorandum accounts	1,001,743	12.14%	1,118,503	13.16%	11.66%
TOTAL	8,250,098	100.00%	8,499,774	100.00%	3.03%

(Thousands of Euros) Source: Annual report of banking entity

**Consolidated income statements of Banc Internacional d'Andorra, SA, Banca Mora, SAU (BIBM)
for the years ended 31 December 2009 and 2010**

	2009	2010	Var. (%) 09-10
Interest and similar income	77,624	42,281	(45.53%)
Interest and similar charges	(37,697)	(14,164)	(62.43%)
Revenue from variable income securities	7	5	(28.57%)
FINANCIAL MARGIN	39,934	28,122	(29.58%)
Comission	58,612	73,277	25.02%
Profits on financial operations	15,692	12,765	(18.65%)
Other profit on ordinary activities	161	155	(3.73%)
MARGIN ON ORDINARY ACTIVITIES	114,399	114,319	(0.07%)
Personnel expenses	(19,722)	(23,071)	16.98%
General expenses	(25,644)	(27,180)	5.99%
Amortisation and depreciation, net of recoveries	(8,327)	(9,930)	19.25%
Provisions for depreciation of assets, net of recoveries	(3,460)	-	-
OPERATING MARGIN	57,246	54,138	(5.43%)
Provisions for loan losses, net of recoveries	2,166	3,233	49.26%
Provisions for liabilities and charges, net of recoveries	(558)	364	-
Allowance to provision for general risks	(6,900)	(4,700)	(31.88%)
PROFIT ON ORDINARY ACTIVITIES	51,954	53,035	2.08%
Net extraordinary income	(1,835)	(2,405)	31.06%
Losses attributable to minority interest	(3)	(1)	(66.67%)
PROFIT ATTRIBUTABLE TO THE GROUP	50,116	50,629	1.02%

(Thousands of Euros) Source: Annual report of banking entity

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Chairman:

Mr. Higini Cierco Noguer

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Assistant General Manager:

Mr. Joan Cejudo Peña

Assistant General Manager:

Mr. Santi de Rosselló Piera

Assistant General Manager:

Mr. Enrique Gracià Cerdà

**Consolidated balance sheets of Banca Privada d'Andorra, SA (BPA)
at 31 December 2009 and 2010**

	2009	% of total	2010	% of total	Var. (%) 09-10
ASSETS					
Cash and central banks OECD	11,995	0.68%	15,494	0.87%	29.17%
INAF	8,521	0.49%	8,521	0.48%	-
Financial intermediaries	446,718	25.45%	170,851	9.55%	(61.75%)
Loans	804,844	45.86%	909,501	50.86%	13.00%
Securities portfolio	337,706	19.24%	547,818	30.64%	62.22%
Gains on consolidation	1,174	0.07%	1,152	0.06%	(1.87%)
Intangible assets	8,993	0.51%	8,465	0.47%	(5.87%)
Tangible assets	97,977	5.58%	92,977	5.20%	(5.10%)
Prepayment and accrued receivables	10,787	0.61%	15,426	0.86%	43.01%
Other assets	26,530	1.51%	18,001	1.01%	(32.15%)
TOTAL ASSETS	1,755,245	100.00%	1,788,206	100.00%	1.88%
LIABILITIES					
INAF	35,821	2.04%	37,505	2.10%	4.70%
Due to banks and credit entities	2,425	0.14%	133,323	7.45%	-
Other financial intermediaries	-	-	-	-	-
Customer deposits	1,415,764	80.66%	1,210,332	67.68%	(14.51%)
Debts represented by securities	68,375	3.89%	90,771	5.08%	32.75%
Provision for liabilities and charges	13,700	0.78%	29,322	1.64%	-
Provision for general risks	902	0.05%	902	0.05%	-
Subordinated liabilities	31,008	1.77%	32,605	1.82%	5.15%
Accruals	15,577	0.89%	15,387	0.86%	(1.22%)
Other liabilities	24,970	1.42%	16,901	0.95%	(32.31%)
Share capital	60,000	3.42%	70,000	3.91%	16.67%
Reserves	61,622	3.51%	127,971	7.16%	-
Profit	25,125	1.43%	25,142	1.41%	0.07%
Prior years' result	(44)	-	8	-	-
Interim dividends	-	-	(2,000)	(0.11%)	-
Minority interest	-	-	37	-	-
TOTAL LIABILITIES	1,755,245	100.00%	1,788,206	100.00%	1.88%

(Thousands of Euros) Source: Annual report of banking entity

**Consolidated memorandum accounts of Banca Privada d'Andorra, SA (BPA)
at 31 December 2009 and 2010**

	2009	% of total	2010	% of total	Var. (%) 09-10
Contingent liabilities	48,591	2.06%	37,877	1.14%	(22.05%)
Commitments and contingent risks	121,610	5.17%	102,355	3.10%	(15.83%)
Derivative financial instruments	236,269	10.05%	719,883	21.79%	-
Securities deposited and others held in custody	1,763,592	74.98%	2,209,592	66.89%	25.29%
Other memorandum accounts	181,963	7.74%	233,778	7.08%	28.48%
TOTAL	2,352,025	100.00%	3,303,485	100.00%	40.45%

(Thousands of Euros) Source: Annual report of banking entity

**Consolidated income statements of Banca Privada d'Andorra, SA (BPA)
for the years ended 31 December 2009 and 2010**

	2009	2010	Var. (%) 09-10
Interest and similar income	44,995	38,732	(13.92%)
Interest and similar charges	(20,724)	(12,000)	(42.10%)
Revenue from variable income securities	-	54	-
FINANCIAL MARGIN	24,271	26,786	10.36%
Comission	43,457	48,672	12.00%
Profits on financial operations	20,270	7,410	(63.44%)
Other profit on ordinary activities	500	592	18.40%
MARGIN ON ORDINARY ACTIVITIES	88,498	83,460	(5.69%)
Personnel expenses	(16,862)	(18,023)	6.89%
General expenses	(26,125)	(28,193)	7.92%
Amortisation and depreciation, net of recoveries	(7,147)	(7,674)	7.37%
Provisions for depreciation of assets, net of recoveries	-	-	-
OPERATING MARGIN	38,364	29,570	(22.92%)
Provisions for loan losses, net of recoveries	(8,896)	(1,460)	(83.59%)
Provisions for liabilities and charges, net of recoveries	(4,321)	(12,039)	-
Allowance to provision for general risks	-	-	-
PROFIT ON ORDINARY ACTIVITIES	25,147	16,071	(36.09%)
Net extraordinary income	(22)	9,071	-
Losses attributable to minority interest	-	(12)	-
PROFIT ATTRIBUTABLE TO THE GROUP	25,125	25,154	0.12%

(Thousands of Euros) Source: Annual report of banking entity

Crédit Andorrà Group

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Chairman of the Board of Directors:

Mr. Antoni Pintat Santolària

Vice-chairman of the Board of Directors:

Mr. Jaume Casal Mor

Chief Executive Officer and General Manager:

Mr. Josep Peralba Duró

Business Deputy General Manager:

Mr. Xavier Cornella Castel

**Consolidated balance sheets of Crédit Andorrà Group
at 31 December 2009 and 2010**

ASSETS	2009	% of total	2010	% of total	Var. (%) 09-10
Cash and central banks OECD	29,925	0.56%	37,566	0.72%	25.53%
INAF	46,245	0.86%	46,245	0.88%	-
Financial intermediaries	589,974	11.00%	415,937	7.96%	(29.50%)
Loans	3,002,649	55.99%	3,084,616	59.04%	2.73%
Securities portfolio	1,330,832	24.81%	1,235,854	23.65%	(7.14%)
Gains on consolidation	-	-	-	-	-
Intangible assets	21,582	0.40%	41,095	0.79%	90.41%
Tangible assets	278,773	5.20%	278,752	5.34%	(0.01%)
Prepayment and accrued receivables	29,487	0.55%	46,547	0.89%	57.86%
Other assets	33,613	0.63%	38,268	0.73%	13.85%
TOTAL ASSETS	5,363,080	100.00%	5,224,880	100.00%	(2.58%)
LIABILITIES					
INAF	58,614	1.09%	57,104	1.09%	(2.58%)
Due to banks and credit entities	38,158	0.71%	99,459	1.90%	-
Other financial intermediaries	-	-	3,123	0.06%	-
Customer deposits	4,373,749	81.55%	4,181,704	80.03%	(4.39%)
Debts represented by securities	72,206	1.35%	137,327	2.63%	90.19%
Provision for liabilities and charges	2,707	0.05%	3,382	0.07%	24.94%
Provision for general risks	40,855	0.76%	23,232	0.45%	(43.14%)
Subordinated liabilities	150,000	2.80%	150,000	2.87%	-
Accruals	15,582	0.29%	33,956	0.65%	-
Other liabilities	25,594	0.48%	17,700	0.34%	(30.84%)
Share capital	70,000	1.31%	70,000	1.34%	-
Reserves	473,255	8.82%	404,524	7.74%	(14.52%)
Profit	76,655	1.43%	77,816	1.49%	1.51%
Prior years' result	-	-	-	-	-
Interim dividends	(35,000)	(0.65%)	(35,000)	(0.67%)	-
Minority interest	705	0.01%	553	0.01%	(21.56%)
TOTAL LIABILITIES	5,363,080	100.00%	5,224,880	100.00%	(2.58%)

(Thousands of Euros) Source: Annual report of banking entity

**Consolidated memorandum accounts of Crèdit Andorrà Group
at 31 December 2009 and 2010**

	2009	% of total	2010	% of total	Var. (%) 09-10
Contingent liabilities	242,293	2.75%	212,561	2.45%	(12.27%)
Commitments and contingent risks	453,535	5.15%	444,763	5.13%	(1.93%)
Derivative financial instruments	1,379,585	15.65%	1,327,416	15.30%	(3.78%)
Securities deposited and others held in custody	6,003,081	68.12%	5,528,058	63.73%	(7.91%)
Other memorandum accounts	734,548	8.33%	1,161,403	13.39%	58.11%
TOTAL	8,813,042	100.00%	8,674,201	100.00%	(1.58%)

(Thousands of Euros) Source: Annual report of banking entity

**Consolidated income statements of Crèdit Andorrà Group
for the years ended 31 December 2009 and 2010**

	2009	2010	Var. (%) 09-10
Interest and similar income	153,855	104,518	(32.07%)
Interest and similar charges	(85,646)	(33,358)	(61.05%)
Revenue from variable income securities	314	245	(21.97%)
FINANCIAL MARGIN	68,523	71,405	4.21%
Comission	81,466	88,848	9.06%
Profits on financial operations	14,025	14,939	6.52%
Other profit on ordinary activities	435	465	6.90%
MARGIN ON ORDINARY ACTIVITIES	164,449	175,657	6.82%
Personnel expenses	(31,415)	(33,842)	7.73%
General expenses	(35,712)	(43,470)	21.72%
Amortisation and depreciation, net of recoveries	(24,359)	(20,856)	(14.38%)
Provisions for depreciation of assets, net of recoveries	(285)	(209)	(26.67%)
OPERATING MARGIN	72,678	77,280	6.33%
Provisions for loan losses, net of recoveries	(4,616)	(15,731)	-
Provisions for liabilities and charges, net of recoveries	(624)	(1,298)	-
Allowance to provision for general risks	-	-	-
PROFIT ON ORDINARY ACTIVITIES	67,438	60,251	(10.66%)
Net extraordinary income	9,196	17,414	89.36%
Losses attributable to minority interest	21	151	-
PROFIT ATTRIBUTABLE TO THE GROUP	76,655	77,816	1.51%

(Thousands of Euros) Source: Annual report of banking entity

BancSabadell d'Andorra, SA

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Chairman:

Mr. Robert Cassany Vila

Director - General Manager:

Mr. Miquel Alabern Comas

Assistant General Manager:

Mr. Josep Segura Solà

**Consolidated balance sheets of BancSabadell d'Andorra, SA
at 31 December 2009 and 2010**

	2009	% of total	2010	% of total	Var. (%) 09-10
ASSETS					
Cash and central banks OECD	6,923	1.06%	5,292	0.83%	(23.56%)
INAF	6,220	0.94%	6,220	0.97%	-
Financial intermediaries	108,809	16.51%	63,243	9.87%	(41.88%)
Loans	390,049	59.21%	390,296	60.92%	0.06%
Securities portfolio	114,483	17.38%	141,389	22.07%	23.50%
Gains on consolidation	-	-	-	-	-
Intangible assets	3,232	0.49%	3,234	0.50%	0.06%
Tangible assets	19,921	3.02%	19,060	2.98%	(4.32%)
Prepayment and accrued receivables	3,166	0.48%	5,804	0.91%	83.32%
Other assets	6,007	0.91%	6,065	0.95%	0.97%
TOTAL ASSETS	658,810	100.00%	640,603	100.00%	(2.76%)
LIABILITIES					
INAF	23,381	3.55%	31,472	4.91%	34.61%
Due to banks and credit entities	7,534	1.14%	3,101	0.49%	(58.84%)
Other financial intermediaries	-	-	-	-	-
Customer deposits	457,873	69.50%	417,658	65.20%	(8.78%)
Debts represented by securities	117,319	17.81%	126,849	19.80%	8.12%
Provision for liabilities and charges	89	0.01%	127	0.02%	42.70%
Provision for general risks	300	0.05%	500	0.08%	66.67%
Subordinated liabilities	-	-	-	-	-
Accruals	2,154	0.33%	5,534	0.86%	-
Other liabilities	3,551	0.54%	4,120	0.64%	16.02%
Share capital	30,068	4.56%	30,068	4.69%	-
Reserves	11,289	1.71%	15,039	2.35%	33.22%
Profit	5,252	0.80%	6,135	0.96%	16.81%
Prior years' result	-	-	-	-	-
Interim dividends	-	-	-	-	-
Minority interest	-	-	-	-	-
TOTAL LIABILITIES	658,810	100.00%	640,603	100.00%	(2.76%)

(Thousands of Euros) Source: Annual report of banking entity

**Consolidated memorandum accounts of BancSabadell d'Andorra, SA
at 31 December 2009 and 2010**

	2009	% of total	2010	% of total	Var. (%) 09-10
Contingent liabilities	35,448	2.21%	24,652	1.94%	(30.46%)
Commitments and contingent risks	96,668	6.02%	104,854	8.27%	8.47%
Derivative financial instruments	597,971	37.22%	321,865	25.39%	(46.17%)
Securities deposited and others held in custody	747,060	46.49%	646,921	51.02%	(13.40%)
Other memorandum accounts	129,637	8.06%	169,610	13.38%	30.83%
TOTAL	1,606,784	100.00%	1,267,902	100.00%	(21.09%)

(Thousands of Euros) Source: Annual report of banking entity

**Consolidated income statements of BancSabadell d'Andorra, SA
for the years ended 31 December 2009 and 2010**

	2009	2010	Var. (%) 09-10
Interest and similar income	18,268	14,722	(19.41%)
Interest and similar charges	(10,522)	(4,771)	(54.66%)
Revenue from variable income securities	-	-	-
FINANCIAL MARGIN	7,746	9,951	28.47%
Comission	7,172	8,980	25.21%
Profits on financial operations	4,167	1,640	(60.64%)
Other profit on ordinary activities	94	79	(15.96%)
MARGIN ON ORDINARY ACTIVITIES	19,179	20,650	7.67%
Personnel expenses	(5,762)	(5,909)	2.55%
General expenses	(5,292)	(5,308)	0.30%
Amortisation and depreciation, net of recoveries	(2,289)	(2,341)	2.27%
Provisions for depreciation of assets, net of recoveries	-	-	-
OPERATING MARGIN	5,836	7,092	21.52%
Provisions for loan losses, net of recoveries	(396)	(803)	-
Provisions for liabilities and charges, net of recoveries	-	-	-
Allowance to provision for general risks	(300)	(200)	(33.33%)
PROFIT ON ORDINARY ACTIVITIES	5,140	6,089	18.46%
Net extraordinary income	112	46	(58.93%)
Losses attributable to minority interest	-	-	-
PROFIT ATTRIBUTABLE TO THE GROUP	5,252	6,135	16.81%

(Thousands of Euros) Source: Annual report of banking entity

V.2. Other information of interest

Government of Andorra

Ed. Administratiu de Govern
C/ Prat de la Creu, 62-64
AD500 Andorra la Vella
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At 1 January 2010

Head of Government:

The Hon. Mr. Jaume Bartumeu Cassany

Minister of Economy and Finance:

The Hon. Mr. Pere López Agràs

Minister of Foreign Affairs and Institutional Relationships:

The Hon. Mr. Xavier Espot Miró

Minister of Environment, Agriculture and Natural Heritage:

The Hon. Mr. Vicenç Alay Ferrer

Minister of Education and Culture:

The Hon. Ms. Susanna Vela Palomares

Minister of Territorial Ordenance:

The Hon. Mr. Gerard Barcia Duedra

Minister of Health, Welfare and Employment:

The Hon. Ms. Cristina Rodríguez Galan

Minister of Home Affairs:

The Hon. Mr. Víctor Naudi Zamora

Minister of Tourism, Commerce and Industry:

The Hon. Mr. Claudi Benet Mas

Secretary General:

Mr. Alexandre Cucurella Rossell

Head of the Government Cabinet:

Ms. Marian Sanchiz Rego

On 16 May 2011 the new Andorran Government was formed based on the results of the general election held on 3 April 2011.

Changes made to the ministerial structure of the Andorran Government:

Head of Government:

The Hon. Mr. Antoni Martí Petit

Minister of Finance and Public Function:

The Hon. Mr. Jordi Cinca Mateos

Minister of Economy and Territorial Ordinance:

The Hon. Mr. Jordi Alcobé Font

Minister of Foreign Affairs:

The Hon. Mr. Gilbert Saboya Sunyé

Minister of Justice and Home Affairs:

The Hon. Mr. Marc Vila Amigó

Minister of Health and Welfare:

The Hon. Ms. Cristina Rodríguez Galan

Minister of Education, Youth and Sport:

The Hon. Ms. Roser Suñé Pascuet

Minister of Tourism and Environment:

The Hon. Mr. Francesc Camp Torres

Government Secretary General:

Mr. Jordi Casadevall Touseil

Head of the Government Cabinet:

Mr. Esteve Vidal Ferrer

(1) Information of interest relates to posts occupied by individuals prior to 31 May 2011

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

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Chairman:

Mr. Manel Torrentallé Cairó

General Manager:

Mr. Carles Salvadó Miras

Association of Andorran Banks
("Associació de Bancs Andorrans (ABA)")

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Chairman:

Mr. Jordi Comas Planas

Vice Chairman:

Mr. Joan Pau Miquel Prats

General Manager:

Mr. Antoni Armengol Aleix

Deputy Manager:

Ms. Clàudia Cornella Durany

Andorran Financial Intelligence Unit
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d'Andorra (UIF)")

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Director:

Mr. Carles Fiñana Pifarré

Corruption Prevention Unit
("Unitat de Prevenció i Lluita contra la
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Head of Unit:

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Andorran Development and Investment
("Andorra Desenvolupament i Inversió
(ADI)")

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Director:

Mr. Carles Aleix Martínez

Andorran Chamber of Commerce,
Industry and Services
("Camba de Comerç, Indústria i Serveis
d'Andorra (CCIS)")

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Chairman:

Mr. Marc Pantebre Palmitjavila

Director:

Ms. Pilar Escaler Penella

Andorran Business Confederation
("Confederació Empresarial Andorrana (CEA)")

C/ Prat de la Creu, 59-65, esc. B, 2n pis
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Chairman:

Mr. Xavier Altimir Planes

Director:

Ms. Sílvia Gabarre Iglesias

Andorran Institute of Economists
("Col·legi d'Economistes d'Andorra (COEA)")

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Dean:

Mr. Xavier Prats Martínez

Secretary:

Mr. Vladimir Fernández Armengol

University of Andorra
("Universitat d'Andorra (UdA)")

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Vice-Chancellor:

The Hon. Mr. Daniel Bastida Obiols

Andorran Data Protection Agency
("Agència Andorrana de Protecció de Dades (APDA)")

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Head:

Mr. Joan Crespo Piedra

Institute of Andorran Studies
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Chairperson:

The Hon. Ms. Roser Suñé Pascuet

Director:

Mr. Jordi Guillaumet Anton

Andorra Turisme

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(Principality of Andorra)
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Chairman:

The Hon. Mr. Francesc Camp Torres

Director:

Mr. Sergi Nadal Gabàs

