

Informe Anual 2007 Annual Report



Crédit Andorrà

Comparative financial data for past 5 years
Crèdit Andorrà Group

	2007	2006	2005	2004	2003
Key balance sheet figures					
<i>(Amounts shown in thousand euros)</i>					
Cash and at banks	1,235,135	1,113,092	1,164,827	1,181,454	1,459,208
Loans to customers	2,750,436	2,443,606	1,942,398	1,111,770	907,712
Customer deposits	3,821,540	3,258,707	2,879,458	2,060,498	2,244,446
Securities and other instruments on deposit with third parties (*)	6,461,448	7,003,841	6,499,132	4,125,570	3,442,605
Ratios (%)					
Equity / Deposits	15.52	16.37	17.42	22.85	19.92
Equity / Loans	21.57	21.83	25.82	42.35	49.25
Loans / Deposits	71.97	75.51	67.75	55.97	41.65
ROE (Profits / Average capital + Reserves)	25.31	25.47	22.31	18.57	19.17
ROA (Profits / Average total assets)	2.79	2.83	2.84	2.75	2.53
Solvency ratio	18.84	20.94	19.92	32.08	32.61
Liquidity ratio	60.46	57.22	66.71	97.66	79.58
Efficiency ratio (Operating costs less Tax / Ordinary margin)	22.00	23.05	26.06	23.47	24.50
Other figures					
Number of employees	412	401	411	281	263
Number of branches (Crèdit Andorrà SA)	21	24	24	17	17

(*) See Note 18 of Annual Report.

Contents

Comparative financial data for past 5 years	46
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Introduction

Letter from the Board of Directors	48
------------------------------------	----

Financial statements

Crédit Andorrà Group

Consolidated balance sheets	52
Consolidated off-balance-sheet records	55
Consolidated profit and loss account	56
Consolidated statement of source and application of funds	58
Notes on consolidated financial statements	60
Auditors' report	91



Introduction

The growth of the world economy in 2007 exceeded all expectations to reach 4.7% in spite of the high volatility in the last half-year when the subprime mortgage crisis set off a period of financial instability at the international level. The main engine behind this growth was vigorous economic activity in the emerging countries, notably in China, India, Russia and Brazil.

The United States showed signs of slowing down all through 2007, which leads us to predict a scenario of slow growth over the short term. The Japanese economy grew in 2007 but all forecasts for 2008 are for a slowdown. With regard to Europe, while prospects are not particularly optimistic, it is expected that the effect of the financial crisis will be less than in the United States. In fact, it is estimated that 2008 will see a 3.3% increase in the GDP of the world economy and around 1.8% in the Euro Area, a less expansionist scenario than was expected some months ago. In this general environment, following uninterrupted growth since the beginning of the Nineties, the overall economic situation in Andorra now offers somewhat less favourable prospects.

Our commitment to serve our customers and our country is what led to the growth of our Group this past year. The consolidated balance sheet of the Crèdit Andorrà Group as at December 31, 2007, shows a good year-end both in volume of business and in results, which made it possible for us to maintain our leadership in the Andorran market with a 37% market share.

Customer resources managed amounted to 10,283 million euros. Loan investment rose by 12.6% to reach the figure of 2,750 million euros and, as a result, our total volume of business was up by 2.6% going to 13,033 million euros.

Ordinary margin was 240.7 million euros, 7.6% more than in the year. This growth was possible thanks to an increase of 18.9% in the financial margin and maintenance of the figure for commissions generated, which amounted to 149.5 million euros.

The operating margin was 145.8 million euros, an increase of 11.8% over the year before, giving us an excellent efficiency ratio of 22%. As a result, consolidated net profit of Crèdit Andorrà Group, after applying a prudent policy of provisions, came to 128 million euros, 5.5% more than the year before. Our solvency and liquidity ratios, at 18.84% and 60.46% respectively, continue to be well above legally established minimums.

The good results achieved, our Group's corporate social responsibility policy, the excellent management applied in successfully carrying out the process of integrating CaixaBank with no reduction in staff, along with our growth strategy and the beginning of a process of internationalization all helped us to win (for the fifth time in six years) the prize awarded by *The Banker*, the financial magazine published by the *Financial Times* group, making us "2007 Andorran Bank of the Year".

Crèdit Andorrà must anticipate the future and, in keeping with this, we have set in motion a new Strategic Plan 2007-2010 which has as its basic aims the strengthening of our competitive position in traditional business, growing through the development of new business and adding to our international expansion.

In this respect, we should especially mention the establishment of Valira Capital Asset Management SGIIC, SA, a company located in Madrid, Spain, in which Crèdit Andorrà holds a 60% share of capital. This is the first time that the the Spain's National Securities Commission (CNMV) has authorized operation of this type for an Andorran financial entity.

With this new project, Crèdit Andorrà Group strengthens its progressive international expansion, along with other initiatives already consolidated, such as Private Investment Management, a property management company in Switzerland and Crediinvest SICAV, located in Luxembourg.

Introduction

One of the basic tools for carrying out the strategic plan is to be found in information systems and this led us to develop the Systems Plan 2007-2010 aimed at creating a new model for managing technology at Crèdit Andorrà through “core banking” system and improving the organizational model and internal communications. This is an essential investment to enable us to meet the challenges facing us in the future and to deal with them equipped with the best abilities and resources.

We should also mention that Crediinvest, the investment fund management company of Crèdit Andorrà Group, obtained the ISO 9001:2000 certificate for the quality management system introduced in all processes related to the creation, management and administration of investment funds. Along with the GIPS (Global Investment Performance Standards) certificate, this establishes solid bases in line with the best practices in asset management.

Our commitment to social responsibility led us to continue working to make efforts to improve relations with our customers, with our staff and with Andorran society in general, both by Crèdit Andorrà and through our Foundation. Our total investment in social programmes in 2007 represented 1.13% of profits.

With regard to our commitment to the environment, for the third year in a row we have renewed our UNE-ISO 14001:2004 certification with a very positive evaluation of the degree of awareness achieved by all our staff. We applied part of our budget to environmental investment and other initiatives aimed at preserving and conserving our environment, as well as raising the sensitivity and awareness of all citizens. This commitment is also carried out through the sustainable products and services we provide so that our customers can feel they form part of the values and commitments our Entity maintains with both the general society and the environment.

With twenty years of experience and devotion to social welfare, Crèdit Andorrà Foundation continued this work all the while opening up new areas of activity with projects of great significance for the community.

Inauguration of *L'espai*, a new centre for social activities and education for the elderly opened by Crèdit Andorrà Foundation, was the most notable project in the field of social welfare. We continued to give our support to programmes dealing with illnesses having great social impact, with the addition of celiac disease. We also opened up new areas of support for the National Programme on Nutrition, Sport and Health established by the Government, as well as signing a collaboration agreement with Andorra Special Olympics.

With regard to educational programmes, the Foundation celebrated its 20th call for scholarships bringing the number of young students who have been able to study at some of the world's finest universities to 153 in all. Under the agreement with the University of Andorra, we should point out the setting up of a new programme for the training of midwives.

In the cultural sphere, the Andorra National Theatre Foundation, of which we are patrons, was able to mount its first theatrical productions. We continued to give our support to music aimed at a wide public through the ONCA Foundation (Andorra National Classical Orchestra).

As Andorra's leading financial group, the challenge ahead of us is to consolidate our image as a sustainable corporation with a fine reputation for respecting the spirit of service, along with the constant improvement that has always been our distinguishing mark. We are committed to become closer to our customers and serve them better each day, as well as serving our country. It is our commitment to continue as a bank of reference and a bank worthy of trust.

The Board of Directors

Chairman of the Board of Directors

Antoni Pintat Santolària

Vice-chairman

Jaume Casal Mor

Chief Executive Officer / Secretary

Josep Peralba Duró

Member of the Board

Rosa Pintat Santolària

Member of the Board

Maria Reig Moles

Member of the Board

Josep Vidal Martí



Financial statements

Crédit Andorrà Group



Consolidated balance sheets as at December 31, 2007 and 2006

Crédit Andorrà Group

ASSETS

	2007	Euros (thousands)	2006 (*)
Cash and deposits with OECD central banks	19,349		32,266
Deposits with Andorran National Institute of Finance (ANIF)	46,245		46,245
Financial intermediaries (Notes 4 and 5)	1,210,077		1,075,878
Financial intermediaries at sight	73,481		91,216
Due from banks on time deposit	1,142,305		989,610
Provision for insolvencies	-5,709		-4,948
Loan investments (Notes 4 and 5)	2,732,012		2,429,826
Customer loans and credits	2,602,980		2,285,741
Overdrafts on customer accounts	112,353		117,809
Bills discounted	35,103		40,056
Provision for insolvencies	-18,424		-13,780
Securities portfolio (Note 6)	528,632		438,185
Bonds and other fixed-income securities	418,895		340,490
Provision for insolvencies	-2,344		-1,686
Provision for market fluctuations	-5,563		—
Investments in Group companies	18,747		13,730
Other investments	25,182		20,019
Provision for market fluctuations	—		—
Shares and other equity securities	14,948		14,672
Provision for market fluctuations	-2,109		-2,109
Investment funds	60,876		53,069
Consolidated goodwill (Note 7.2)	136,968		156,534
Consolidated goodwill	195,668		195,668
Accumulated amortization	-58,700		-39,134
Intangible assets and expenses to be amortized (Note 7)	12,710		12,335
Intangible assets and expenses to be written off	43,889		38,840
Accumulated depreciation	-31,179		-26,505
Fixed assets (Note 7)	111,545		111,955
Fixed assets	218,686		212,574
Accumulated depreciation	-105,191		-98,669
Provision for depreciation	-1,950		-1,950
Accrued income and prepaid expenses (Note 12)	80,277		41,429
Accrued income	79,563		41,364
Prepaid expenses	714		65
Other assets	32,313		21,487
Operations in course	27,759		16,230
Stock	552		555
Options purchased	4,002		4,702
Total assets	4,910,128		4,366,140

(*) Shown solely for purposes of comparison.

Notes 1-21 herewith form an integral part of consolidated financial statements.

LIABILITIES

	Euros (thousands)	
	2007	2006 (*)
Andorran National Institute of Finance (ANIF)	63,217	62,085
Creditors (Note 4)	3,943,713	3,413,776
Due to banks and lending institutions	122,173	155,069
Customer deposits	3,821,540	3,258,707
Bonds issued	16,312	12,318
Provision for risks and contingencies (Note 8)	2,918	27,825
Provision for pensions and similar obligations	—	25,324
Provision for contingent liabilities	912	893
Other provisions	2,006	1,608
Provision for general banking risks (Note 8)	64,620	68,619
Subordinated liabilities (Note 11)	150,000	150,000
Accrual accounts (Notes 12)	37,656	37,930
Accrued expenses	36,431	36,845
Deferred income	1,225	1,085
Other liabilities	37,458	30,257
Operations in course	19,526	14,707
Options issued	2,885	3,622
Suppliers and other creditors	15,047	11,928
Share capital (Note 11)	70,000	70,000
Reserves (Note 11)	448,233	421,959
Legal reserve	7,000	7,000
Guarantee reserve	33,063	33,063
Voluntary reserve	361,196	346,131
Revaluation reserve	13,934	13,934
Consolidation reserve	33,040	21,831
Income (Notes 10 and 11)	76,001	71,371
Income for year	128,001	121,371
Income from previous years awaiting allocation	—	—
Dividends paid out in advance	-52,000	-50,000
Total liabilities	4,910,128	4,366,140

(*) Shown solely for purposes of comparison.

Notes 1-21 herewith form an integral part of consolidated financial statements.

Consolidated off-balance-sheet records as at December 31, 2007 and 2006

Crédit Andorrà Group

	2007	Euros (thousands)	2006 (*)
Contingent liabilities	264,555		256,403
Guarantees given	260,694		252,417
Documentary letters of credit issued or received with notification to customers	3,861		3,986
Commitments and contingent risks	621,825		581,664
Commitments and operating risks	582,608		534,339
Actuarial commitments and risks	13,399		25,323
Other contingent commitments and risks	25,818		22,002
Forward operations (Note 14)	6,420,742		5,606,325
Forward foreign exchange transactions	3,970,074		3,116,870
Forward transactions on other financial instruments	2,435,150		2,456,623
Other forward transactions	15,518		32,832
Customer securities held in custody	6,833,293		7,289,278
Securities held in custody by third parties	6,461,448		7,003,841
Securities held in own custody	371,845		285,437
Other off-balance-sheet records exclusively for management control (Note 18)	1,109,961		1,086,573
Guarantees and commitments obtained	495,656		444,396
Other off-balance-sheet records	614,305		642,177

(*) Shown solely for purposes of comparison.

Notes 1-21 herewith form an integral part of consolidated financial statements.

**Consolidated profit and loss account for years ended
December 31, 2007 and 2006**

Crédit Andorrà Group

	Euros (thousands)	
	2007	2006 (*)
Interest and related incomes	200,362	144,657
ANIF and financial intermediaries at sight	3,693	2,245
Loan investment	179,326	129,006
Bonds and other fixed-income securities	17,343	13,406
Interest and related expenses	-132,804	-87,850
ANIF and financial intermediaries	-9,576	-3,551
On customer deposits	-115,728	-75,868
On bonds	—	—
On subordinated liabilities	-7,500	-7,125
On internal pension fund	—	-1,306
Income from equity securities	409	357
From other investments	338	318
From shares and other equity securities	71	39
Financial margin	67,967	57,164
Commissions, net	149,529	149,646
Commissions for services supplied	166,441	164,360
Commissions on services received	-16,912	-14,714
Results of financial transactions	22,741	16,634
Net provision for market fluctuations	-2,274	—
Foreign exchange earnings	14,994	10,684
Income from securities transactions	5,541	4,356
Income from forward transactions	-408	-46
Share in (losses) / profits of companies accounted for by equity method (Note 2.3)	4,829	1,437
Other	59	203
Other ordinary profit	438	370
Ordinary margin	240,675	223,814

(*) Shown solely for purposes of comparison.

Notes 1-21 herewith form an integral part of consolidated financial statements.

	Euros (thousands)	
	2007	2006 (*)
Ordinary margin	240,675	223,814
Personnel costs	-31,945	-30,441
Personnel, Board of Directors and indemnities	-23,960	-22,113
Social Security	-2,850	-2,625
Ordinary allocation to pension fund (Note 8)	—	-1,258
Other personnel costs (Note 3.5)	-5,135	-4,445
General expenses	-41,875	-41,905
Supplies	-1,325	-656
External services	-19,682	-20,489
Taxes	-20,868	-20,760
Depreciation expenses, net	-21,032	-21,151
Depreciation allowed on intangible and tangible fixed assets	-21,032	-21,151
Provision for depreciation of fixed assets, net	—	80
Allocation of provision for depreciation of fixed assets	—	80
Operating margin	145,823	130,397
Provision for insolvencies, net	-12,677	2,363
Allocations to provision for insolvencies	-12,677	-6,377
Recovery of provisions for insolvencies	—	8,740
Provision for risks and contingencies, net	-953	2,266
Allocations to provision for risks and contingencies (Note 8)	-953	-983
Recovery of provisions for risks and contingencies (Note 8)	—	3,249
Provision for general banking risks	-4,166	-10,897
Ordinary profit	128,027	124,129
Extraordinary profit (Note 12)	-26	-2,758
Recovery of provisions for general banking risks (Note 8)	2,169	2,362
Extraordinary contribution to pension fund (Notes 8 and 12)	—	-3,260
Other extraordinary profit	-2,195	-1,860
Profit for the year	128,001	121,371

(*) Shown solely for purposes of comparison.

Notes 1-21 herewith form an integral part of consolidated financial statements.

**Consolidated statement of source and application of funds for years ended
December 31, 2007 and 2006**

Crédit Andorrà Group

SOURCE OF FUNDS

	Euros (thousands)	
	2007	2006 (*)
Funds generated by operations	162,081	145,105
Profit for the year	128,001	121,371
Net provision for insolvencies	12,677	-2,363
Net provision for asset depreciation	—	-80
Net provision for market fluctuations	2,274	—
Allocations to other funds	953	8,631
Other	1,997	-1,904
Depreciation of tangible and intangible fixed assets	21,032	21,151
(Profit) / Loss on sale of fixed assets	-24	-264
Profits from companies accounted for by equity method	-4,829	-1,437
Positive change in liabilities over assets	39,373	11,674
Cash	12,917	—
ANIF and financial intermediaries	1,132	2,211
Other headings	25,324	9,463
Net increase in liabilities	566,827	429,250
Creditors - Customers	562,833	379,250
Subordinated liabilities	—	50,000
Bonds issued	3,994	—
Net decrease in assets	—	21,741
Securities portfolio less investments	—	21,741
Sale of permanent investments	37	581
Sale of investments	—	—
Sale of fixed assets	37	581
Total source of funds	768,318	608,351

(*) Shown solely for purposes of comparison.

Notes 1-21 herewith form an integral part of consolidated financial statements.

APPLICATION OF FUNDS

	Euros (thousands)	
	2007	2006 (*)
Funds applied to operations	32,161	—
Applied from other funds	25,324	—
Other	6,837	—
Positive change in assets over liabilities	235,927	278
ANIF and financial intermediaries	193,181	278
Other headings	42,746	—
Net decrease in liabilities	—	28,627
Creditors - Customers	—	—
Bonds issued	—	28,627
Net increase in assets	396,643	500,906
Cash	—	1,367
Loan investments - Customers	314,103	499,539
Securities portfolio less investments	82,540	—
Purchase of permanent investments	6,803	2,756
Purchase of investments	5,359	—
Purchase of tangible and intangible fixed assets	1,444	2,756
Funds applied to financing operations	96,784	75,784
Supplementary dividend for previous year	35,000	16,000
Preliminary dividend for current year	52,000	50,000
Other equity amounts	9,784	9,784
Total application of funds	768,318	608,351

(*) Shown solely for purposes of comparison.

Notes 1-21 herewith form an integral part of consolidated financial statements.

Notes on the consolidated financial statements as at December 31, 2007 and 2006

Grup Crèdit Andorrà

Note 1 Identity of the Bank and its activities

Crèdit Andorrà SA, authorized in 1949, is a limited company engaged in banking activities which it carries out as a commercial bank and a private bank.

Together with its subsidiaries, set out in Note 2.3, it forms the Crèdit Andorrà Group.

Note 2 Bases of presentation and consolidation principles

2.1 Approval by General Shareholders Meeting

These financial statements will be presented for approval at the next General Shareholders Meeting of the Bank on April 24, 2008. The financial statements for the year ending on December 31, 2006 were approved by the General Shareholders Meeting of the Bank on April 27, 2007.

2.2 Presentation of the Accounting Plan of Andorran financial system

These consolidated financial statements have been taken from the accounting records of the banks and companies making up the Group and have been prepared according to the Accounting Plan of the Andorran financial system approved by the Government of Andorra on January 19, 2000, so that they show a true and fair view of the equity, financial position, consolidated results and resources obtained and applied by the Group. The Andorran National Institute of Finance (ANIF) is the body charged with the supervision and control of those entities making up the Andorran financial system, as well as the implementation and application of the Accounting Plan and those regulations applicable to these entities.

2.3 Consolidation principles

The Bank holds all the share capital and voting rights of the various companies carrying out activities complementary to its own and which are jointly managed.

Consolidated entities

These consolidated financial statements include the following fully-owned companies, consolidated by the fully and proportionally integrated method (in thousand euros):

	Domicile	Activity	Consolidation method	% participation	Equity	Profits/ losses	Dividends paid out
Credi-Invest SA (*)	Andorra	Fund manager	Fully	100%	1,474	3,038	2,966
Crèdit Iniciatives SA (*)	Andorra	Risk capital	Fully	100%	13,872	241	—
Patrigest	Andorra	Property	Fully	100%	1,824	211	—
Crèdit Capital							
Immobiliari SAU (**)	Andorra	Bank	Fully	100%	149,775	4,392	10,841
Crèdit Andorrà							
Preference Ltd.	Cayman	Financial	Fully	100%	1	—	—
Valira Asset							
Management SL	Spain	Investment advice	Proportionally	60%	1,400	389	—

(*) Percentage direct and indirect participation.

(**) Formerly CaixaBank SA.

On July 31, 2005, Crèdit Andorrà acquired 100% of the Andorran banking entity CaixaBank SA, an entity established on August 1, 1997, which had as its corporate aim the carrying on of activities proper to the banking business which up until that time had been performed by the branches of Caixa d'Estalvis i Pensions de Barcelona ("la Caixa") open in the Principality of Andorra.

Within the process begun in July 2005 with acquisition of Grup CaixaBank, on January 1, 2007, the accounting and data-processing divisions were successfully integrated as well as changing the corporate image of the branch network.

Credi-Invest SA is the management company of Crèdit-Fons, of which Crèdit Andorrà SA acts as depository. This company and the fund come under the supervision and control of ANIF. The dividend obtained in 2007 was 765 thousand euros as supplementary dividend for 2006 and 2,200 thousand euros as dividend charged to the 2007 financial year.

Crèdit Iniciatives SA is the Group's venture capital company.

Patrigest SA is a property asset management company.

The company Crèdit Andorrà Preference Ltd. is a 100% owned subsidiary of Crèdit Andorrà SA established in December 2005 for the issue of preferred shares (see Note 11).

Valira Asset Management SL, established in January 2007 with head office in Madrid (Spain), is a company with a complete structure for management and advisory service on investment in Hedge Funds. It currently has suitable tools for management and control of risk.

In September 2007, Crèdit Andorrà SA joined this company as majority shareholder holding a 60% share. On December 12, 2007, Spain's National Securities Commission authorized Valira Asset Management SL to establish a Mutual Fund Institutions Management Society under the name of Valira Capital Asset Management S.G.I.I.C., SA, with the exclusive aim of developing those activities allowed management companies as set out in Clause 40 of Law 35/2003, dated November 4, operating in Spain.

Method of consolidation

All significant balances and transactions between the consolidated companies have been eliminated in the process of consolidation.

The difference between the book value of companies consolidated by the fully-integrated method and their equity at year-end is included in consolidation reserves.

The consolidation of profits generated by dependent companies acquired during year is carried out by taking into consideration only those profits related to the period between the date of acquisition and the close of this year.

In accordance with that laid down in ANIF Memorandum 162/05, the proportional profit of those subsidiary companies consolidated by the equity method is set out in the section "Participation in (losses) / profits of companies consolidated by the equity method" in the profit and loss account of these financial statements.

Note 3 Accounting principles and valuation guidelines

The account books and financial statements of the Group are governed by the following general accounting principles:

- True and fair view
- Prudent valuation
- Historic cost
- Accrual accounting
- Consistency in presentation
- Completeness
- Integrity
- No compensation
- Matching of income and expenses
- Going-concern premise
- Relative importance

The Group has also adopted the following accounting criteria for amounts considered material or critical in determining the results for the year and financial position.

3.1 Accrual principle

Income and expenses are recorded according to the accrual principle, applying the financial method for those transactions with a liquidation date of more than twelve months. The only exception is with reference to interest on very doubtful loans, which is recorded as income only when collected.

In applying this principle, accrual accounts show income / expenses accrued but not collected / paid, and income / expenses collected / prepaid.

3.2 Recording principle

Following banking practice, transactions are recorded on the date they take place, which may be different from the corresponding value date, which is taken as the basis for calculating income and expenses for interest.

3.3 Conversion of foreign currencies

Assets and liabilities expressed in foreign currencies are converted to euros at the exchange rate current on the balance sheet date, obtained from reliable market sources, except deposits in foreign currency at banks hedged by forward foreign currency contracts. These deposits are converted at current exchange rates at the time they are made and gains or losses under corresponding forward foreign exchange contracts are recorded during the life of the contracts in the profit and loss account. Income and expenses are converted at exchange rates current on the date transactions take place.

3.4 Provision for insolvencies

A. Specific provisions

The determination of specific provisions is based on quantitative and qualitative regulatory guidelines and detailed analysis of exposure to credit risk, carried out by the entity itself, bearing in mind experience of actual loan losses and other relative factors. Provision for specific risks is deducted directly from the corresponding asset.

B. General provisions

The Group carries a general provision fund for insolvencies as follows:

- One percent of net unsecured loan investment with customers and of bonds issued by non-bank entities, central governments of OECD countries and Government of Andorra.
- 0.5% of net loan investment with banks and lending institutions and bonds issued by banks.

These amounts are deducted directly from the corresponding asset.

C. Provision for country risk

The Group operates only with correspondent banks and lending institutions established in Andorra and in OECD countries. The securities portfolio is made up of issues made in Andorra and the OECD, except in the case of the odd issued traded in recognized financial markets. With regard to these bonds, no country risk provision is made given that they are regularly traded with daily market quotations reflecting their real value.

3.5 Provision for risks and contingencies

A. Specific provision for contingent liabilities

Provision for contingent liabilities shows amounts whose object is to allow for payments or contingencies of a specific nature.

B. Provision for pensions and similar obligations

Commitments to all employees of Crèdit Andorrà and their beneficiaries, related to such contingencies as retirement, death or incapacity, are now externalized in an independent Andorran foundation (Previfun), established in 1998, and regulated under the Regulation of Mutual Funds for pensions and aid to employees of Crèdit Andorrà approved by the Ordinary General Shareholders Meeting held on October 23, 2006.

In addition, liabilities acquired as a result of the integration of CaixaBank SA were externalized through a group incomes policy taken out with a specialized company within the Group.

3.6 Securities portfolio

The securities portfolio includes the trading portfolio, the portfolio of instruments held to maturity, the portfolio of permanent investments and the ordinary investment portfolio.

Securities classified as part of the trading portfolio are brought into account at their market value and the profit or loss arising is recorded in the profit and loss account.

Bonds and other fixed-income securities expected to be held to maturity are initially valued at cost and later adjusted *pro rata temporis* in order to show the difference between cost and reimbursement value and for any depreciation provision.

Permanent investments are initially recorded at cost and later adjusted to show the underlying book value of the Group's investment in the equity of the subsidiary company.

Bonds in the ordinary investment portfolio are shown in the same way as portfolio investment securities held to maturity. When the market value is lower than adjusted cost, provision is made in the securities market fluctuation fund and shown by deducting the portfolio value according to the sum of all individual negative valuation differences less the sum of all individual positive valuation differences up to the amount of the negative differences.

The market value of unlisted bonds in the ordinary investment portfolio is determined using either a market model (e.g. an evaluation study carried out by an independent professional of recognized prestige) or using other information obtained from the same market (prices indicated by brokers). Valuation using a market model is largely based on the determination and recording of movements in market values related to credit risk. These movements are shown under provision for market fluctuations mentioned above.

Shares held in the ordinary investment portfolio are shown at cost price or market value, whichever is the lower, and negative valuation differences are recorded in a market fluctuations fund.

3.7 Positive consolidation differences

The heading “Positive consolidation differences” includes consolidation differences taking into consideration the tacit capital gains assignable to assets of the subsidiary company still to be amortized which arise from acquisition of shares of companies consolidated by the fully-consolidated method, the proportionally consolidated method or using the equity method.

As far as concerns the amortization of positive consolidation differences, or consolidation goodwill, arising from the acquisition of 100% of shares of CaixaBank, the Accounting Plan of the Andorran financial system puts this under “Intangible assets and amortizable expenses”. Specific evaluation regulations provide that “Amortizable expenses and goodwill must be systematically amortized against profit and loss account and cannot exceed the period during which the funds mentioned are contributing to obtain income, with a maximum limit of 5 years. Entities may apply to ANIF requesting an extension of this period to 10 years”. Given the exceptional nature of the transaction generating this goodwill, as well as its lasting nature, seeing that prior application was made by the entity to ANIF, on October 28, 2005, this body, duly following that set out in the Plan without jeopardizing the results of the entity, expressly authorized the amortization of the goodwill from the said purchase to 10 years, as well as the covering of 50% of the cost of such amortization as a charge to reserves, given that the effect produced on the high level of equity held by the entity did not make it impossible to meet the requirements set out in current legislation regarding minimum equity levels (see Note 11).

3.8 Intangible assets and amortizable expenses

Intangible assets and amortizable expenses are stated at cost and amortized over their expected valuable life for a maximum of 5 years. Other intangible assets are stated at cost and amortized over their expected valuable life up to a maximum of 10 years.

3.9 Fixed assets

Fixed assets are recorded at cost less depreciation which is spread over the economic life of each individual asset. Provision for depreciation is made when a definite loss of economic value of the fixed asset is apparent.

A. Premises

The acquisition of buildings and improvements carried out after December 31, 1989 are shown at cost. Premises acquired or built before December 31, 1989 appear in the balance sheet at their estimated market value as established by an independent expert in November 1989. When a decrease in value takes place, amounts recorded as revaluation reserve may be transferred directly to voluntary reserves.

B. Other real estate property

Other real estate, which includes an office building (Crédit Centre), buildings, apartments and lands, is shown at estimated market value or acquisition cost, whichever is the less.

Other properties acquired through partial or full foreclosure for loans are accounted for at book value of the loan foreclosed at the moment of acquisition or estimated market value, whichever is the less.

C. Depreciation rates and periods

Premises for own use, furniture, data-processing equipment and computer software are depreciated using the straight-line method according to the following percentages and periods:

	% for years	Years
Buildings	2 to 3,33%	30 to 50
Furniture, installations and equipment	10 to 30%	3 to 10
Data-processing equipment	20 to 30%	3 to 5

Assets acquired through foreclosure for unrepaid loans that are not applied to buildings / equipment for own use or remain unsold within a period of three years are depreciated, as of the date of the date of foreclosure according to the following cumulative depreciation percentages:

Between 3 and 4 years	25%
Between 4 and 5 years	50%
Between 5 and 6 years	75%
More than 6 years	100%

3.10 Provision for general banking risks

The Group makes allocations to the fund for general banking risks in order to maintain prudent cover for general risks inherent in its banking and financial activities as well as liquidity risk associated with unlisted shares.

3.11 Financial derivatives

The Group makes use of financial derivatives, interest rate swaps and forward currency contracts to hedge interest rate and foreign currency risks in its operations. In keeping with its liquid assets policy, the Group does not hold or use financial derivatives that are not for hedge purposes.

Note 4 Maturity of financial assets and liabilities and breakdown by currency

4.1 Distribution of maturity of financial assets and liabilities

The residual maturity of certain assets and liabilities as at December 31, 2007 and 2006 (in thousand euros) was as follows:

2007	Due and doubtful	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Assets							
ANIF	—	46,245	—	—	—	—	46,245
Financial intermediaries, gross	—	1,185,433	—	28,850	1,503	—	1,215,786
Loan investments, gross	25,956	63,107	228,607	800,324	885,887	746,555	2,750,436
Bonds and other fixed-income securities	—	—	21,259	10,363	155,504	231,769	418,895
Total	25,956	1,294,785	249,866	839,537	1,042,894	978,324	4,431,362
Liabilities							
ANIF	—	63,217	—	—	—	—	63,217
Banks and lending institutions	—	59,228	62,945	—	—	—	122,173
Customer deposits	—	2,144,947	1,240,529	357,654	14,292	64,118	3,821,540
Bonds issued	—	—	—	2,217	14,095	—	16,312
Total	—	2,267,392	1,303,474	359,871	28,387	64,118	4,023,242
2006							
	Due and doubtful	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Assets							
ANIF	—	33,273	—	—	—	12,972	46,245
Financial intermediaries, gross	—	1,071,417	997	6,909	1,503	—	1,080,826
Loan investments, gross	18,187	82,936	175,063	591,508	766,430	809,482	2,443,606
Bonds and other fixed-income securities	—	—	15,706	21,965	180,818	122,001	340,490
Total	18,187	1,187,626	191,766	620,382	948,751	944,455	3,911,167
Liabilities							
ANIF	—	61,983	—	102	—	—	62,085
Banks and lending institutions	—	101,533	53,029	507	—	—	155,069
Customer deposits	—	2,276,799	750,200	191,274	24,327	16,107	3,258,707
Bonds issued	—	—	—	5,314	7,004	—	12,318
Total	—	2,440,315	803,229	197,197	31,331	16,107	3,488,179

Interest rates on customer loans with maturity of more than one year are indexed at the one-year interbank market interest rate.

On December 31, 2007 and 2006 there were no amounts without maturity date.

4.2 Currency breakdown

Details of currency breakdown of certain assets and liabilities as at December 31, 2007 and 2006 (in thousand euros) are as follows:

2007	Euros	US dollars	Swiss francs	Pounds sterling	Japanese yen	Canadian dollars	Other currencies	Total
Assets								
ANIF	46,245	—	—	—	—	—	—	46,245
Financial intermediaries,								
at sight	44,553	17,734	1,218	3,629	3,975	644	1,728	73,481
Banks and lending institutions	423,845	478,633	1,506	208,729	—	14,614	14,978	1,142,305
Provision for insolvencies (-)	-2,116	-2,393	-8	-1,044	—	-73	-75	-5,709
Total financial intermediaries, net	466,282	493,974	2,716	211,314	3,975	15,185	16,631	1,210,077
Loans and credits								
to customers	2,515,930	4,589	56,417	3,442	20,227	2,178	197	2,602,980
Overdrafts on customer accounts	75,036	33,047	2,481	177	1,161	55	396	112,353
Customer bills discounted	35,090	13	—	—	—	—	—	35,103
Provision for insolvencies (-)	-17,803	-60	-360	-40	-132	-22	-7	-18,424
Total loan investments, net	2,608,253	37,589	58,538	3,579	21,256	2,211	586	2,732,012
Securities portfolio, net								
	522,500	6,132	—	—	—	—	—	528,632
Total	3,643,280	537,695	61,254	214,893	25,231	17,396	17,217	4,516,966
Liabilities								
ANIF	63,217	—	—	—	—	—	—	63,217
Banks and lending institutions								
	38,616	24,203	40,099	9	19,245	1	—	122,173
Customer deposits	3,028,077	515,882	19,543	214,599	9,037	17,295	17,107	3,821,540
Total	3,129,910	540,085	59,642	214,608	28,282	17,296	17,107	4,006,930

2006	Euros	US dollars	Swiss francs	Pounds sterling	Japanese yen	Canadian dollars	Other currencies	Total
Assets								
ANIF	46,245	—	—	—	—	—	—	46,245
Financial intermediaries, at sight	74,319	6,977	740	3,392	3,753	871	1,165	91,216
Banks and lending institutions	385,103	375,686	4,170	196,416	-83	14,393	13,925	989,610
Provision for insolvencies (-)	-1,542	-1,902	-308	-986	-68	-72	-70	-4,948
Total financial intermediaries, net	457,879	380,760	4,601	198,821	3,602	15,192	15,021	1,075,878
Loans and credits to customers	2,185,945	13,919	59,429	4,288	22,133	—	27	2,285,741
Overdrafts on customer accounts	95,805	12,033	8,247	252	523	145	804	117,809
Customer bills discounted	40,056	—	—	—	—	—	—	40,056
Provision for insolvencies (-)	-12,966	-191	-520	-43	-52	-1	-8	-13,780
Total loan investments, net	2,308,840	25,761	67,156	4,497	22,604	144	823	2,429,826
Securities portfolio, net	437,060	1,125	—	—	—	—	—	438,185
Total	3,250,024	407,646	71,758	203,318	26,206	15,336	15,844	3,990,135
Liabilities								
ANIF	62,085	—	—	—	—	—	—	62,085
Banks and lending institutions	68,469	8,185	52,747	179	24,604	20	865	155,069
Customer deposits	2,529,159	474,698	17,860	202,872	3,732	15,275	15,112	3,258,707
Total	2,659,713	482,883	70,607	203,051	28,337	15,295	15,977	3,475,861

Note 5 Loan investments

5.1 Analysis of Loan investments

The evaluation of Loan investments with regard to minimum legal requirements and internal criteria, according to the breakdown as at December 31, 2007 and 2006 (in thousand euros), is set out below:

2007	Normal	Past due	Doubtful	Total	Insolvency provision	Net amount
Customer loans and credits	2,585,035	2,492	15,453	2,602,980	-16,427	2,586,553
Overdrafts on customer accounts	108,238	1,303	2,812	112,353	-1,658	110,695
Customer bills discounted	31,207	3,844	52	35,103	-339	34,764
Total customer loan investments	2,724,480	7,639	18,317	2,750,436	-18,424	2,732,012

2006	Normal	Past due	Doubtful	Total	Insolvency provision	Net amount
Customer loans and credits	2,277,688	6,437	1,616	2,285,741	-13,104	2,272,637
Overdrafts on customer accounts	107,876	1,380	8,553	117,809	-537	117,272
Customer bills discounted	39,855	176	25	40,056	-139	39,917
Total customer loan investments	2,425,419	7,993	10,194	2,443,606	-13,780	2,429,826

5.2 Provision for insolvencies

Movements in provision for insolvencies in Loan investments in 2007 and 2006 (in thousand euros) were as follows:

2007	Opening balance	Allocations / (Recoveries)	Amounts applied	Other movements	Closing balance
Specific loan investment provisions	3,487	9,547	-6,670	-5	6,359
General loan investment provisions	10,293	1,797	—	-25	12,065
Provision for bank deposits on time	4,948	672	—	89	5,709
Total provisions	18,728	12,016	-6,670	59	24,133

2006	Opening balance	Allocations / (Recoveries)	Amounts applied	Other movements	Closing balance
Specific loan investment provisions	6,493	1,861	-4,844	-23	3,487
General loan investment provisions	12,162	-1,479	—	-390	10,293
Provision for bank deposits on time (*)	7,791	-2,856	—	13	4,948
Total provisions	26,446	-2,474	-4,844	-400	18,728

(*) Includes recovery of provisions on elimination of inter-group balances.

Movements in provision for insolvencies in the securities portfolio during the years 2007 and 2006 (in thousand euros) are as follows:

2007	Opening balance	Allocations / (Recoveries)	Amounts applied	Other movements	Closing balance
Securities portfolio					
Bonds and other fixed-income securities	1,686	660	—	-2	2,344
2006					
Securities portfolio					
Bonds and other fixed-income securities	1,577	111	—	-2	1,686

5.3 Collateral security for Loan investment

Collateral security obtained for Loan investments as at December 2007 and 2006 (in thousand euros) is broken down as follows:

2007	Cash deposits	Securities	Mortgages	Total secured	Unsecured	Total
Loan investments, gross						
Customer loans and credits	86,141	240,024	1,492,220	1,818,385	784,595	2,602,980
Overdrafts on customer accounts	—	—	—	—	112,353	112,353
Customer bills discounted	—	—	—	—	35,103	35,103
Total security for loan investments	86,141	240,024	1,492,220	1,818,385	932,051	2,750,436
2006						
Loan investments, gross						
Customer loans and credits	30,753	240,183	1,247,700	1,518,636	767,105	2,285,741
Overdrafts on customer accounts	—	—	—	—	117,809	117,809
Customer bills discounted	—	—	—	—	40,056	40,056
Total security for loan investments	30,753	240,183	1,247,700	1,518,636	924,970	2,443,606

As at December 31, 2007, the heading “Customer loans and credits”, included housing loans granted in according to current legislation for a total amount of 947 thousand euros (2006: 1,177 thousand euros).

5.4 Loan investments to public sector

Breakdown of Loan investments to the public sector entities as at December 31, 2007 and 2006 (in thousand euros) follows:

	2007	2006
Loan investments		
Central government	45,310	30,829
Local government	73,061	60,472
Other	4,581	875
Total	122,952	92,176

Note 6 Securities portfolio

6.1 Holdings in Group companies

The Group has direct holdings in the following Andorran companies consolidated according to the equity method (in thousand euros) as at December 31, 2007 and 2006:

2007	Domicile	Activity	% holding	Capital	Equity	2007 earnings	Dividends paid out	Book value
Crèdit Assegurances	Andorra	Insurance	100%	4,000	17,410	5,496	—	17,410
Patrigest Informació Financera (*)	Andorra	Company services	100%	3	1,036	336	—	1,036
Crèdit Gestió SAU (**)	Andorra	Investment fund manager	100%	301	301	11	—	301
								18,747

(*) Percentage direct or indirect holding.

(**) Crèdit Gestió SAU (formerly known as CaixaBank Gestió SA) was established with the aim of providing investment fund management. Up to the present it has not carried on any business.

2006	Domicile	Activity	% holding	Capital	Equity	2006 earnings	Dividends paid out	Book value
Crèdit Assegurances	Andorra	Insurance	100%	4,000	12,759	694	—	12,759
Patrigest Informació Financera (*)	Andorra	Company services	100%	3	701	302	—	701
CaixaBank Gestió SA (**)	Andorra	Investment fund manager	100%	301	301	—	—	270
								13,730

(*) Percentage direct or indirect holding.

(**) CaixaBank Gestió SA was created with the aim of providing investment fund management. Up until now it has not carried on any business.

The holding in Crèdit Assegurances was consolidated by the equity method as its insurance business was considered as being different from that of banking.

6.2 Other investments and Qualified Holdings

The Group had the following direct holdings under Other investments and Qualified holdings as at December 31, 2007 and 2006 (in thousand euros):

2007	Domicile	Consolidation process	Activity	% holding	Capital	Equity	Earnings	Dividends paid out	Book value, net
Other investments (*)									
Esports de Neu Soldeu-Incles SA	Andorra	Equity method	Skiing services	49.57%	22,552	37,802	-2,125	—	18,737
Other (**)	Andorra	Equity method	Services	—	2,407	18,973	193	—	6,445
									25,182
Qualified holdings (*)									
SEMTEE SA	Andorra		Services	17.05%	25,242	34,439	3,884	1,974	4,633
Other				—	156	17,269	-1,595	—	7,025
									11,658

(*) Latest financial statements available.

(**) Includes Seguriser SA, Administració i Serveis SL, SPI SA, SPA SA, Clige SA and Naturtec.

2006	Domicile	Consolidation process	Activity	% holding	Capital	Equity	Earnings	Dividends paid out	Book value, net
Other investments (*)									
Esports de Neu Soldeu-Incles SA	Andorra	Equity method	Skiing services	49.57%	20,885	39,167	2,521	1,667	18,964
Other (**)	Andorra	Equity method	Services	—	347	1,303	106	84	1,055
									20,019
Qualified holdings (*)									
SEMTEE SA	Andorra		Services	17.05%	25,242	32,528	4,109	2,100	4,633
Other				—	76	18,186	-1,045	—	7,025
									11,658

(*) Latest financial statements available.

(**) Includes Seguriser SA, Administració i Serveis SL, SPI SA and SPA SA.

Other investments are consolidated by the equity method.

Qualified holdings are recorded at cost price or market value, whichever is the least.

Esports de Neu Soldeu-Incles SA manages a ski resort at Canillo (Andorra) and SEMTEE SA (Societat d'Economia Mixta Termolúdic Escaldes-Engordany), a hot-springs centre located at Escaldes (Andorra).

The holding in Seguriser SA (Seguretat i Serveis SA) was consolidated by the equity method, as established by Memorandum 145/02, dated November 20, 2002, of the Andorran National Institute of Finance.

In 2007, dividends brought into account from Other investments and Qualified holdings amounted to 338 thousand euros (2006: 1,122 thousand euros).

6.3 Investment funds

The book value of holdings in investment funds managed by a related entity as at December 31, 2007 was 60,876 thousand euros (2006: 53,069 thousand euros).

6.4 Portfolio evaluation

The book value of those securities classified in the valuation categories set out in Note 3.6 as at December 31, 2007 and 2006 is given below (in thousand euros):

	2007	2006
Trading portfolio:		
Fixed-income instruments	5,408	2,885
Equity instruments	215	21
Investments held to maturity	218,289	211,350
Permanent investments	43,929	33,749
Investment funds	60,876	53,069
Ordinary investment portfolio:		
Fixed-income instruments	195,198	126,255
Equity instruments	14,733	14,651
Total	538,648	441,980
	2007	2006
Listed securities	171,340	146,351
Unlisted securities	367,308	295,629
	538,648	441,980
Market fluctuation fund	-7,672	-2,109
Provision for insolvencies	-2,344	-1,686
Total	528,632	438,185

The acquisition cost of instruments in the trading portfolio as at December 31, 2007 was 5,641 thousand euros (2006: 2,877 thousand euros), of which 2,822 thousand euros was for listed securities while the rest (2,819 thousand euros) was for unlisted securities.

Market value of the investment folio held to maturity as at December 31 2007 was 217,891 thousand euros (2006: 209,239 thousand euros), of which 58,887 thousand euros was for listed securities while the rest (159,004 thousand euros) was for unlisted securities.

Market value of the ordinary investment folio held in fixed-interest instruments as at December 31, 2007 was 189,635 thousand euros (2006: 126,255 thousand euros), of which 48,000 thousand euros was for listed securities while the rest (141,635 thousand euros) was for unlisted securities, whose market value was estimated on the basis of accounting principles and valuation criteria set out in Note 3.6.

Market value of the ordinary investment portfolio held in equity shares as at December 31, 2007 was 13,774 thousand euros (2006: 13,684 thousand euros).

6.5 Provision for market fluctuation

Movements in provision for market fluctuation in 2007 and 2006 (in thousand euros) were as follows.

2007	Opening balance	Allocations	Amounts applied	Other movements	Closing balance
Securities portfolio					
Bonds and other fixed-income instruments	—	2,274	—	3,289	5,563
Other holdings	—	—	—	—	—
Shares and other equity instruments	2,109	—	—	—	2,109
Investment funds	—	—	—	—	—
Total movement for year	2,109	2,274	—	3,289	7,672

2006	Opening balance	Allocations	Amounts applied	Other movements	Closing balance
Securities portfolio					
Bonds and other fixed-income instruments	—	—	—	—	—
Other holdings	—	—	—	—	—
Shares and other equity instruments	2,109	—	—	—	2,109
Investment funds	—	—	—	—	—
Total movement for year	2,109	—	—	—	2,109

6.6 Mandatory deposits

At its session on June 30, 1994, the General Council approved the Law on Regulation of the Ratio of Mandatory Investments. This law makes it obligatory for those entities that include in their activities the taking of deposits from the public, which deposits are applied to the granting of loans and other investments, to maintain an investment ratio in Andorran public instruments.

In compliance with this ratio, on December 31, 2007, the Group had subscribed 105,292 thousand euros to government bonds of the Principality of Andorra issued on December 31, 2005. This bond issue matures on December 31, 2009 at the official 1-year Euribor interest rate established on the first working day of each year. The amount subscribed by the Group is recorded under the heading “Investment portfolio – Bonds and Other Fixed-income Instruments” in the consolidated balance sheet here included.

In addition, in accordance with the law, Andorran banks must maintain deposits with ANIF. The situation and remuneration of these deposits in 2007 and 2006 (in thousand euros) was as follows:

2007	Deposit	Interest rate	Term
Mandatory deposits	46,245	3.630%	December 30, 2006 - April 30, 2007
		4.083%	April 30, 2007 - December 31, 2007
Other deposits (ANIF)	—	—	

2006	Deposit	Interest rate	Term
Mandatory deposits	46,245	2.400%	December 30, 2005 - April 28, 2006
		2.999%	April 28, 2006 - December 29, 2006
Other deposits (ANIF)	1,126	2.300%	December 30, 2005 - January 16, 2006

Note 7 Intangible assets and Consolidated goodwill

7.1 Intangible and fixed assets

Movements in intangible assets and amortizable expenses and movements in fixed assets (in thousand euros) are set out below:

Fixed assets and amortizable expenses

	December 31, 2006	Additions	Retirements	Transfers/Other	December 31, 2007
Cost:					
Computer software	36,944	3,758	—	—	40,702
Amortizable expenses	1,896	1,291	—	—	3,187
Total intangible fixed assets	38,840	5,049	—	—	43,889
Amortization provision:					
Computer software	-25,350	-4,296	—	—	-29,646
Amortizable expenses	-1,155	-378	—	—	-1,533
Total amortization provision	-26,505	-4,674	—	—	-31,179
Total, net	12,335	375	—	—	12,710

Fixed assets

	December 31, 2006	Additions	Retirements	Transfers/Other	December 31, 2007
Cost:					
Working fixed assets					
Land	19,496	1	—	—	19,497
Buildings	48,535	152	—	842	49,529
Furniture	14,318	472	—	—	14,790
Installations	47,809	3,540	—	—	51,349
Data-processing equipment	23,163	1,511	—	—	24,674
Vehicles	344	25	-37	—	332
Other	842	—	—	-842	—
Subtotal	154,507	5,701	-37	—	160,171
Non-working fixed assets					
Land	47,831	—	—	—	47,831
Buildings	4,912	1	—	—	4,913
Other	5,324	447	—	—	5,771
Subtotal	58,067	448	—	—	58,515
Total fixed assets	212,574	6,149	-37	—	218,686
Provision for depreciation:					
Working fixed assets					
Buildings	-30,391	-1,236	—	-253	-31,880
Furniture	-13,478	-383	—	—	-13,861
Installations	-33,940	-2,881	—	—	-36,821
Data-processing equipment	-18,951	-1,848	—	—	-20,799
Vehicles	-198	-59	37	—	-220
Other	-253	—	—	253	—
Subtotal	-97,211	-6,407	37	—	-103,581
Non-working fixed assets					
Buildings	-1,384	-151	—	—	-1,535
Other	-74	-1	—	—	-75
Subtotal	-1,458	-152	—	—	-1,610
Total provision for depreciation	-98,669	-6,559	37	—	-105,191
Provision for depreciation	-1,950	—	—	—	-1,950
Total fixed assets, net	111,955	-410	—	—	111,545

The accounting treatment to the above headings is explained in Notes 3.7 and 3.8. Depreciation is calculated on a straight-line basis at the rates set out in Note 3.9.

In 2007 and 2006 no interest or exchange rate differences in fixed assets were capitalized.

Buildings not available for sale on December 31, 2007 represented 27,310 euros in net value.

Lands classified as non-working fixed assets largely comprise acquisitions made with the entity's own funds.

The heading "Other" includes, among other things, Crèdit Andorrà's art collection.

7.2 Consolidation goodwill

Movements in consolidated goodwill in 2007 and 2006 (in thousand euros) were as follows:

	2007	2006
Opening balance for year	156,534	176,101
Additions	—	—
Amortizations:		
Charged to reserves	-9,783	-9,783
Charged to profit and loss account	-9,783	-9,784
Closing balance at year-end	136,968	156,534

With regard to amortization of consolidated goodwill or provision for consolidation goodwill arising from the purchase of a 100% participation in CaixaBank, the Accounting Plan of the Andorran financial system, under "Intangible Fixed Assets and Amortizable Expenses" in Article 10. Specific Evaluation Regulations, sets out that "Amortizable expenses and goodwill shall be amortized systematically against profit and loss account and shall not exceed the period during which the funds mentioned contribute to obtaining income, with a maximum limit of 5 years. Entities may apply to ANIF asking for extension of this period up to 10 years". Given the exceptional nature of the transaction that created this goodwill, as well as its permanent nature, the entity having so applied to ANIF, this body expressly gave its approval on October 28, 2005 for the amortization of the goodwill involved in that purchase over 10 years, as well as covering 50% of the cost of such amortization as a charge to reserves, given that the effect on the high level of equity held by the entity did not prevent the carrying out of the requirements laid down in current legislation so far as concerns minimum equity (see Note 11).

Note 8 Provision for risks and contingencies

Movements in provision for risks and contingencies in 2007 and 2006 (in thousand euros) are given below:

2007	Opening balance	Allocation	Recoveries	Amounts applied	Other movements	Closing balance
Provision for pensions and similar amounts	25,324	—	—	—	-25,324	—
Provision for contingent liabilities	893	46	—	-27	—	912
Other provisions	1,608	907	—	-509	—	2,006
	27,825	953	—	-536	-25,324	2,918

2006	Opening balance	Allocation	Recoveries	Amounts applied	Other movements	Closing balance
Provision for pensions and similar amounts	20,223	4,518	—	-724	1,306	25,324
Provision for contingent liabilities	595	163	-217	-3	355	893
Other provisions	4,235	820	-3,032	-415	1	1,608
	25,053	5,501	-3,249	-1,142	1,662	27,825

The amount recorded under the heading “Provisions for Pensions and Similar Obligations” in the financial statements herewith corresponds with the accrued liability to active and retired employees of CaixaBank SA hedged by that entity.

On December 31, 2006 steps were taken to bring up to date the actuarial hypotheses employed in the evaluation of commitments for accrued pensions in order to make use of more current demographic hypotheses and interest rates.

On January 1, 2007 these commitments were out-sourced through insurance policies to Crèdit Assegurances SA. The total amount of the premium paid was 25,324 thousand euros.

Movements taking place in the heading “Provision for Pensions and Similar Obligations” in 2007 and 2006 (in thousand euros) is shown below:

	2007	2006
Opening balance for the year	25,324	20,223
Allocation to fund	—	1,258
Extraordinary allocations	—	3,260
Return for the year	—	1,306
Amounts applied in the year	—	-724
Other	-25,324	—
Closing balance for the year	—	25,324

Apart from the abovementioned provisions, the Group made provision for general banking risks applying to the funds allocated by the Bank for reasons of prudence, given the risks inherent in its banking activity as well as the liquidity risk associated with unlisted shares.

The movement during 2007 and 2006 was as follows:

	2007	2006
Opening balance for the year	68,619	60,463
Allocation to fund	4,166	10,897
Recoveries	-2,169	-2,362
Other	-5,996	-379
Closing balance for the year	64,620	68,619

Note 9 Pension fund and other funds

Obligations with all Crèdit Andorrà employees and beneficiaries related to such contingencies as retirement, death and incapacity are currently out-sourced to an independent Andorran foundation (Previfun) established in 1998 and are governed under “Regulation of Mutual Funds for Benefit and Aid to Crèdit Andorrà Employees” approved by the General Shareholders Meeting on October 23, 2006.

On October 23, 2006, Crèdit Andorrà and the abovementioned Foundation established the specific contributions, of a compulsory nature, which both the Bank and its employees would make each year, these, in the first case, being contributions of 2,178 thousand euros in 2007 (2006: 1,502 thousand euros).

Voluntary contributions to the Employees Fund (Previfun) amounted to 1,035 thousand euros (2006: 983 thousand euros).

Note 10 Distribution of profits

The proposed distribution of profits of Crèdit Andorrà for the year 2007 to be presented to the General Shareholders Meeting for approval (in thousand euros) is as follows:

	2007	2006
Group profits for the year	128,001	121,371
Profits awaiting application	—	—
Amortization of consolidation goodwill	9,783	9,783
Other adjustments	—	-2,830
Consolidation adjustments:		
For dividends	13,807	36,213
For other (net)	-12,621	-44,406
Profit available for distribution	138,970	120,132
Dividend payments	-102,000	-85,000
Transfer to reserves	-36,220	-34,632
Extraordinary contribution to Fundació Crèdit Andorrà allocation fund	-750	-500
Profits awaiting application	—	—

During the year, Crèdit Andorrà distributed interim dividends of 52,000 thousand euros (2006: 50,000 thousand euros).

Note 11 Movements in shareholders' equity

In 2007 and 2006, the following movements (in thousand euros) took place in shareholders' equity:

2007									
	Share capital	Legal reserve	Guarantee reserve	Revaluation reserve	Voluntary reserve	Consolidation reserve	Retained earnings carried forward	Profits	Total
Balance at beginning of year before distribution	70,000	7,000	33,063	13,934	346,131	21,831	—	71,371	563,330
Supplementary dividend	—	—	—	—	—	—	—	-35,000	-35,000
Application of 2006 profits/transfer to reserves	—	—	—	—	34,632	—	—	-34,632	—
Other (Consolidation adjustments)	—	—	—	—	—	—	—	-1,739	-1,739
Balance at beginning of year following distribution	70,000	7,000	33,063	13,934	380,763	21,831	—	—	526,591
Profits for 2007	—	—	—	—	—	—	—	128,001	128,001
Interim dividend 2007	—	—	—	—	—	—	—	-52,000	-52,000
Amortization of consolidation goodwill (Note 7.2)	—	—	—	—	-19,567	—	—	—	-19,567
Other (Consolidation adjustments)	—	—	—	—	—	11,210	—	—	11,210
Total	70,000	7,000	33,063	13,934	361,196	33,041	—	76,001	594,235
2006									
	Share capital	Legal reserve	Guarantee reserve	Revaluation reserve	Voluntary reserve	Consolidation reserve	Retained earnings carried forward	Profits	Total
Balance at beginning of year before distribution	70,000	7,000	33,063	13,934	325,477	11,629	102	56,275	517,480
Supplementary dividend	—	—	—	—	—	—	—	-16,000	-16,000
Application of 2005 profits/transfer to reserves	—	—	—	—	40,221	—	-102	-40,119	—
Other (Consolidation adjustments)	—	—	—	—	—	—	—	-156	-156
Balance at beginning of year following distribution	70,000	7,000	33,063	13,934	365,698	11,629	—	—	501,324
Profits for 2006	—	—	—	—	—	—	—	121,371	121,371
Interim dividend 2006	—	—	—	—	—	—	—	-50,000	-50,000
Amortization of consolidation goodwill (Note 7.2)	—	—	—	—	-19,567	—	—	—	-19,567
Other (Consolidation adjustments)	—	—	—	—	—	10,202	—	—	10,202
Total	70,000	7,000	33,063	13,934	346,131	21,831	—	71,371	563,330

Share capital

Share capital is represented by 790,000 shares “A” series and 210,000 shares “E” series, each of 70 euros, fully subscribed and paid up. Both series have the same economic and policy-making rights, the latter series being syndicated.

Legal reserve

In compliance with legal and statutory requirements, a legal reserve of 10% of share capital was established.

Guarantee reserve

In accordance with Andorran legislation passed in 1995, Crèdit Andorrà SA has established a guarantee reserve for deposits and other operational obligations of 33,063 thousand euros (2006: 33.063 thousand euros). This reserve cannot be distributed.

Revaluation reserve

This reserve, amounting to 13,934 thousand euros (2006: 13,934 thousand euros) corresponds to the revaluation of buildings for own use (see Note 3.9).

Consolidation reserves

Consolidation reserves correspond accrued profits in previous years of Group companies forming part of the consolidation perimeter from the date of their acquisition or constitution up to December 31, 2007 that have not been distributed as dividends.

Subordinated liabilities

On October 26, 2005, the ANIF Board of Governors agreed to authorize the issue of preference shares by Crèdit Andorrà Preference Ltd. to be accounted for as Tier 1 type regulatory capital of Crèdit Andorrà Group, given that, on the one hand, these preference shares met the conditions so that, at the international level, this type of share could be considered as equity of first category (Tier 1). This did not imply renouncing one of the strong features of the Andorran financial system when it comes to protecting itself abroad, which always involves following the most conservative criteria of all those established at the international level. On the other hand, the other components of the equity of Crèdit Andorrà SA continued to represent around 80% of the Group's total shareholders' equity.

In accordance with this ANIF authorization, on December 22, 2005, Crèdit Andorrà Preference Ltd. carried out an issue of 100 million euros in preference shares, without voting rights and with a specified annual dividend of 5% in the first three years following issue and then variable annually with reference to the CMS 10-year rate plus 30 basis points, for the number of days during the year when the CMS 10-year rate is equal to or higher than the CMS 2-year rate.

On January 25, 2006, the ANIF Board of Governors agreed to authorize an increase in the preference share issue by Crèdit Andorrà Preference Ltd. amounting to an additional 50 million euros to be accounted as Tier 1 type regulatory capital of Crèdit Andorrà Group, given that the other components of the equity of Crèdit Andorrà SA continued to represent around 70% of total shareholder equity of the Group. These preference shares are identical in nature to those of the first issue apart from price.

Crèdit Andorrà Preference Ltd. is a wholly-owned subsidiary of Crèdit Andorrà SA and the issue mentioned has the joint and several and irrevocable guarantee of Crèdit Andorrà SA, as indicated in the corresponding information folder for the issue.

In addition, this issue has received the necessary ANIF qualification so that it may be fully computed as basic equity of the Group. This issue of a perpetual nature was fully taken up by third parties outside the Group and may be fully written off should the issuing company so decide, and with authorization of ANIF, after a period of six years following its being paid up.

This year, Fitch Ratings gave these preference shares issues an A- rating.

Note 12 Other balance sheet and statement of earnings items

Other significant items in the balance sheet and statement of earnings items for the years ended December 31, 2007 and 2006 (in thousand euros) are shown below:

12.1 Asset accrual accounts

	2007	2006
Accrued interest	65,172	33,550
Commissions	14,415	7,814
Other	690	65
	80,277	41,429

12.2 Liability accrual accounts

	2007	2006
Accrued expenses	36,431	36,845
Before-due receipts	1,225	1,085
	37,656	37,930

12.3 Extraordinary results

During the year, an amount of 2,169 thousand euros was released from provision for general banking risks and 2,770 thousand euros was computed as negative extraordinary expenses.

Note 13 Net foreign currency positions

At the end of 2007 and 2006, the Group held the following significant foreign currency positions (in thousand euros):

2007	Assets	Liabilities	Net position
Euros	4,016,558	4,020,154	-3,596
US dollars	551,694	547,291	4,403
Swiss francs	62,014	61,422	592
Pounds sterling	216,948	217,911	-963
Japanese yen	28,291	28,621	-330
Canadian dollars	17,410	17,410	—
Other currencies	17,213	17,319	-106
	4,910,128	4,910,128	

2006	Assets	Liabilities	Net position
Euros	3,450,811	3,529,666	-78,855
US dollars	570,685	493,201	77,484
Swiss francs	215,039	215,337	-298
Pounds sterling	67,414	68,061	-647
Japanese yen	30,655	28,465	2,190
Canadian dollars	15,370	15,370	—
Other currencies	16,166	16,040	126
	4,366,140	4,366,140	

Exchange rates applied at year-end were obtained from reliable market sources.

Note 14 Financial derivatives

14.1 Analysis of financial derivatives

On December 31, 2007 and 2006, the Group held the following positions in over-the-counter financial derivatives (face value in thousand euros):

2007	Less than 1 year	From 1-5 years	More than 5 years	Total
Firm transactions				
Foreign exchange transactions	3,970,074	—	—	3,970,074
Interest rate swaps	1,712,876	42,500	508,715	2,264,091
Futures	—	—	—	—
Option transactions				
Options	4,434	11,084	171,059	186,577
	5,687,384	53,584	679,774	6,420,742

2006	Less than 1 year	From 1-5 years	More than 5 years	Total
Firm transactions				
Foreign exchange transactions	3,116,870	—	—	3,116,870
Interest rate swaps	1,911,389	83,200	314,751	2,309,340
Futures	—	—	—	—
Option transactions				
Options	17,315	16,533	146,267	180,115
	5,045,574	99,733	461,018	5,606,325

At year-end, these positions in financial derivatives were being used as hedge instruments for Group assets and liabilities or to offset open customer positions (see Note 14.2).

On December 31, 2007 and 2006 there were no transactions under contract in organized markets.

14.2 Treatment of hedges

Financial derivatives used to hedge specific market risks are individually assigned to those assets, liabilities or off-balance sheet positions being hedged and are initially recorded at cost. Forward foreign currency contracts are later adjusted at market value, applying these fluctuations to profit and loss account. Market fluctuations of these hedge positions are monitored and controlled using RiskMetrics and ALM II models (for management of assets and liabilities).

Note 15 Pledged assets

On December 31, 2007, Crèdit Andorrà had on its books a total of 4,939 thousand euros in guarantees required for futures transactions in organized markets on account of third parties. It also had a total of 10,363 thousand euros on deposit with financial intermediaries as pledged assets providing guarantee for its own obligations.

Note 16 Transactions with entities or persons related to the Group or Group entities

Balances (at market prices) with entities or persons related to the Group or entities of the Group of those headings that represent more than 10% of equity as shown in the balance sheet or 5% of the result for the year given in the profit and loss account (in thousand euros) are set out below:

2007	Crédit Andorrà Pref. Ltd	Crédit Capital Immobiliari, SAU (*)
Balances with entities or persons related to the Group or entities of the Group		
Assets	—	—
Loan investments, banks and lending institutions	—	—
Accrual accounts	—	—
Liabilities	150,168	127,493
Financial intermediaries	1	126,213
Time deposits	150,000	—
Accrual accounts	167	1,280
Transactions with main shareholder	-7,500	-4,243
Interest and income made similar	—	520
Interest and assimilable income	-7,500	-4,763
Other	—	—
Off-balance-sheet records	—	—
Contingent liabilities	—	—
Contingent obligations	—	—

(*) Formerly CaixaBank SA.

2006	Crédit Andorrà Pref. Ltd	CaixaBank SA	Other related financial intermediaries
Balances with entities or persons related to the Group or entities of the Group			
Assets	—	96,804	68,805
Loan investments, banks and lending institutions	—	93,893	68,608
Accrual accounts	—	2,911	197
Liabilities	150,168	478,320	60,606
Financial intermediaries	1	476,488	60,474
Time deposits	150,000	—	—
Accrual accounts	167	1,832	132
Transactions with main shareholder	-7,125	-15,448	3,337
Interest and income made similar	—	1,061	4,107
Interest and assimilable income	-7,125	-14,838	-770
Other	—	-1,671	—
Off-balance-sheet records	—	—	—
Contingent liabilities	—	—	—
Contingent obligations	—	—	—

On December 31, 2007, there was no transaction with any shareholder or member of the Board of Directors and/or Executive Committee (non-shareholders) representing more than 10% of equity as shown in the balance sheet and/or 5% of the result for the year as set out in the profit and loss account.

Note 17 Risk control and management

The management and control of risk has always been a priority objective of Crèdit Andorrà and, with this in view, we have developed the necessary infrastructure, internal methods and controls.

Policy and limits on risk are established and supervised by a committee called the Assets, Liabilities and Risks Committee (with functions equivalent to those of ALMCO, Assets and Liabilities Management Committee) which meets at least monthly. Among other functions, this committee approves risk policies affecting the management of assets and liabilities of the entity and management mandates. At the same time, the committee sets and revises the limits of balancing entries with banks and supranational entities and/or private entities. With the aim of avoiding a concentration of risk, it also establishes limits for issuers of financial instruments whether within or outside the Crèdit Andorrà balance sheets.

All steps taken by this committee bear in mind the rules of ANIF, the Andorran national body that carries out the tasks of regulation, control and supervision of the country's financial activity and new regulatory trends, in compliance with the directives of the New Basle Capital Accord which puts emphasis on the increasing sensitivity to risk and risk management.

The Department of Corporate Risk Control, under the supervision of the Assets, Liabilities and Risks Committee, is charged with measuring, controlling and monitoring of market risk, credit risk, interest rate risk and currency risk, and operational risk, as well as the evaluation of exposure and keeping to assigned limits. It also ensures the introduction and maintenance of the necessary data-processing support for correct risk management.

For some years, without putting aside conventional methods of risk control, Crèdit Andorrà has applied *Value-at-Risk* (VaR) methodology in all areas of risk management. By means of statistical and stochastic techniques, VaR provides a measurement of risk. Formally, VaR is a synthetic figure that indicates the maximum loss to be expected for a specific interval of confidence in the value of a portfolio over a fixed time span.

Management of market risk

The market VaR is calculated daily for a time-scale of one day and with a confidence interval of 95% for portfolios of the entity as a whole. A detailed report indicating the VaR, with various time-scales and confidence intervals, is periodically sent to members of the Executive Committee and the Assets, Liabilities and Risks Committee. These VaR measurements, along with others, provide a test of integrity and consistency. During this period, the average daily VaR for share portfolios, calculated with a 95% interval of confidence and a time-scale of one day, was 34.6 thousand euros with a maximum and minimum of 68.6 thousand euros and 5.6 thousand euros respectively, which was below the authorized risk limit of 200 thousand euros.



For the securities portfolios as a whole, the average daily VaR, calculated at a 95% level of confidence, was 449.9 thousand euros with a maximum and minimum of 988.5 thousand euros and 150.4 thousand euros respectively, as compared with the authorized risk limit of one million euros.

An analysis of this report is supported by *Backtesting* tests. In 2007, Backtesting showed that both gains and losses were in line with confidence intervals. The daily VaR for the share portfolios as a whole, with a 95% level of confidence, was exceeded by 5.75% of all cases throughout 2007, compared with the expected 5%. For investment portfolios as a whole, the daily VaR, with a 95% confidence level, was exceeded in only 4.6% of cases during the year in line with what was statistically expected.

Management of credit risk

At the end of 2007, of the total exposure to credit risk, interbank deposits represented 26%, the securities portfolio represented 12%, while customer loans accounted for the remaining 62%.

With regard to interbank deposits and the securities portfolio, Crèdit Andorrà also introduced the loan VaR as a management and control tool. This calculation is carried out by applying the so-called “CreditManager” programme developed J.P. Morgan. Crèdit Andorrà follows the loan VaR with a time-scale of one year and a confidence interval of 99%.

At year-end, the loan VaR for the securities portfolio and interbank deposits was 5,602.7 thousand euros out of a total risk exposure 1,338,202.6 thousand euros. This loan VaR is below the risk limit of 7,000 thousand euros set by the Assets, Liabilities and Risks Committee. In other words, this loan VaR level would be equivalent to having a portfolio with an AA rating.

Under credit risk, special attention is given to balancing-entry risk and country risk. These risks are regularly monitored always keeping within established limits.

Management of interest rate and foreign currency risk

Crèdit Andorrà has traditionally paid special attention to maintaining a very strict relation between investment and how it is financed. For this reason, the Assets, Liabilities and Risks Committee has not set any ordinary limit for the establishment of open positions and therefore any gap not in keeping with the normal development of daily operations must have prior authorization.

The control of these risks is maintained through the “ALM II” programme. Exposure to interest rate risk as a consequence of gaps between investment and financing is very limited. In fact, at the end of 2007, a displacement parallel to the interest rate curve of all currencies of 1% would have had an impact of less than 0.80% of shareholder equity.

Liquidity risk, understood as that risk arising from any difficulty the entity may have in meeting its payments or in obtaining funds for that purpose, is handled through the management tools mentioned above.

Foreign currency risk is also subject to daily monitoring, both with regard to at-sight transactions and those at term. At year-end, the open position in foreign currency risk, consolidated in euros, amounted to 2,228.2 thousand euros, as against the established limit of 5 million euros.

Management of operational risk

The Basle Committee defined operational risk as the risk of direct or indirect loss caused by errors and omissions in processes, by persons and internal systems or by outside events.

Crédit Andorrà keeps on developing the organizational structure and the establishment of the capacities needed to ensure the full adaptation of the Basle Capital Accord in so far as it refers to the measurement and management of operational risk, gathering under general banking risk management the development of procedures for identification, monitoring and control with the aim of minimizing possible impacts. It is planned to continue working on the development of an historic data base of events and on the development of a qualitative tool – Risk Map – for measuring the frequency of the impact of this risk and to improve the necessary controls and hedge positions.

Note 18 Other off-balance-sheet records

Other off-balance-sheet records at year-end are set out below (in thousand euros):

	2007	2006
Guarantees and obligations received	495,656	444,396
Unlisted shares and those held in trust	575,433	564,703
Very doubtful loans	38,767	34,155
Other	105	43,319
	1,109,961	1,086,573

In compliance with ANIF Memorandum 169/06 related to the Accounting Plan for the Andorran financial system, published on October 12, 2006, Clause V. Other Off-balance-sheet Records with functions exclusively related to administrative control, bonds issued by the Government of Andorra are recorded under “Securities and Own Unlisted Shares” and shares of Crédit Andorrà SA shown at face value are recorded as “Shares held in trust”.

Note 19 Compliance with regulations

19.1 Law on regulation of solvency and liquidity of financial entities

At its session held on February 29, 1996, the General Council of the Principality of Andorra approved the Law on Regulation of Solvency and Liquidity of Financial Entities (hereinafter referred to as “the Law”).

In accordance with the Law, Crédit Andorrà must maintain specific ratios with regard to quantitative measurement of the amounts of assets, liabilities and certain off-balance-sheet records of the Bank calculated under accounting criteria as well as qualitative opinions on the various components, valuation of risk and other factors.

This Law makes it obligatory to maintain a solvency ratio, made up according to the recommendations of the “Basle Committee on Banking Supervision”, with a minimum of 10% of the weighted risk of assets. It also obliges financial entities to maintain a liquidity ratio at a minimum of 40%.

The solvency and liquidity ratios as at December 31, 2007 are set out below with a comparison of the legal requirements mentioned above:

	Bank's current ratio		Legal minimum ratio
	2007	2006	
Solvency ratio	18.84%	20.94%	10%
Liquidity ratio	60.46%	57.22%	40%

We should mention that the calculation of the solvency ratio is made according to ANIF Memorandum No. 159/04 on Equity Requirements. This memorandum, which is technically binding, complements the Law on Regulation of Solvency and Liquidity of Financial Entities, dated February 29, 1996 and is designed to foster greater security and stability of Andorran financial system through the incorporation of hedging of market risks.

In addition, the Law limits the concentration of risks in favour of any one beneficiary to 20% of the Bank's equity. On the other hand, it establishes that the concentration of risks that individually exceed 5% of equity cannot go above the limit of 400% of such equity. At the same time, the balances or transactions maintained with members of the Board of Directors cannot go above 15% of equity.

During the current year, the Bank met the requirements set out in this Law. The highest concentration of risk reached in favour of any single beneficiary was 19.91% of the Bank's equity. Total loans, discounts and other transactions creating individual credit risk in excess of 5% of the Bank's equity did not go above 73.92%.

19.2 Law on international cooperation on crime and the fight against laundering of money or securities arising from international delinquency

At its session on May 14, 2002, the General Council of the Principality of Andorra approved the Law on Protection of Bank Secrecy and the Prevention of Laundering of Money or Securities arising from Crime, a law in operation until July 24, 2001 when the current Law on International Cooperation on Crime and the Fight against Laundering of Money or Securities arising from International Delinquency came into effect.

In compliance with these laws, the Bank has established a series of internal control and reporting procedures aimed at protecting bank secrecy and to foresee and to prevent money-laundering operations. In this respect, specific training programmes have been carried out.

19.3 Law on indirect taxation on banking and financial services

At its session on May 14, 2002, the General Council of the Principality of Andorra approved the Law on Indirect Taxation on Banking and Financial Services. This Law came into force in 2002 and its object was to levy tax on services provided by banking entities.

Subsequently, on July 10, 2002, the Government of Andorra approved the regulations related to the abovementioned law.

On February 21, 2005, the General Council of the Principality of Andorra approved the Law to Modify the Indirect Tax Rate on Banking and Financial Services raising the rate from 7% to 12%, applicable as of April 1, 2005. Later, on March 30, 2005, it approved the amended regulations related to the above law.

Accrued expenses for indirect tax on banking and financial services in 2007 amounted to 18,805 thousand euros (2006: 18,637 thousand euros), recorded under the heading "General expenses – Taxes" in the profit and loss account.

19.4 Law to Apply the Agreement between the Principality of Andorra and the European Union on taxation of returns on savings in the form of interest payments

At its session held on February 21, 2005, the General Council of the Principality of Andorra ratified the Agreement between the Principality of Andorra and the European Union on the establishment of measures equivalent to those foreseen in Directive 2003/48/CE issued by the European Council with regard on taxation of returns on savings in the form of interest payments. Also, at its session on June 13, 2005, it approved the Law to apply the abovementioned Agreement.

During the year, Crèdit Andorra SA, in its role as payment agent, fulfilled all the obligations set out in the Agreement and the Law dealing with its application and duly paid the amount withheld as established in the abovementioned legislation.

Note 20 Significant events following year-end

With the coming into force of Law 20/2007 on accounting in public limited companies and limited liability companies approved on October 18 and Law 30/2007, on business accounting approved on December 20, no change or significant effect is foreseen for the companies within the consolidation perimeter of the Group.

Note 21 Other matters of interest

Crèdit Andorrà SA established the Fundació Crèdit Andorrà registered in the Principality of Andorra on December 15, 1987, for an indefinite period of time. The Foundation has its own legal identity, Andorran nationality and is of a private nature.

This Foundation, which is a non-profit body, has as its objective to contribute to improving the quality of economic, cultural and social life in Andorra through taking on, programming, funding and carrying out of specific aims. Among these aims, we should especially mention the granting of study scholarships to those who deserve them in order to help them obtain the best possible education in whatever areas that may have an influence on the bettering of the economic, scientific, educational, cultural and services structure of the country.

In 2007, always with the aim of adapting its work to the needs of the country, three major areas were the target for activities carried out by the Crèdit Andorrà Foundation. These included its social work programmes, especially those aimed at the elderly and organizations dealing with the disabled. Another key area was in educational activities, particularly in the granting of scholarships. It was also involved in cultural activities, dealing with pedagogical aspects and all those areas directly related to the country, its history and its natural environment.

AUDITORS' REPORT

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To the Board of Directors of
Crédit Andorrà SA

Geneva, March 6, 2008

Report of Group Auditors

As group auditors, we have audited the consolidated financial statements (balance sheet, off balance sheet figures, statement of earnings, statement of source and application of funds and notes on the consolidated financial statements) of Crédit Andorrà Group as of and for the year ended December 31, 2007 (from page 52 to 90).

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2007 and the results of its operations and its sources and applications of funds for the year then ended in accordance with the standards promulgated by the Andorran National Institute of Finance as disclosed in the notes on the consolidated financial statements.

Ernst & Young Ltd

Mario Mosca
Swiss Certified Accountant
(Auditor in charge)

Florence Hô
Swiss Certified Accountant

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■ Member of the Swiss Chamber of Auditors.



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