

**2010**

**Annual Report**



**Crédit Andorrà**

*al vostre servei i al servei del país*



**Comparative summary of financial data for the last two years**  
**Crèdit Andorrà Group**

	2010	2009
<b>Key balance sheet figures</b>		
<i>(amounts shown in thousand euros)</i>		
Cash and at banks	454,280	622,418
Loans to customers	3,109,696	3,030,163
Customer deposits	4,181,704	4,373,749
Securities and other instruments on deposit with third parties (*)	4,815,879	4,880,707
Securities managed by Group companies and held in custody by third parties	163,112	74,796
<b>Total</b>	<b>4,978,991</b>	<b>4,955,503</b>
<b>Ratios (%)</b>		
Equity / Deposits	11.53	12.57
Equity / Loans	15.51	18.15
Loans / Deposits	74.36	69.28
Profits / Average capital + Reserves	15.29	13.01
Profits / Average total assets: ROA (**)	1.45	1.30
Solvency	18.81	23.45
Liquidity	54.68	71.06
Efficiency (Operating Costs) / Ordinary margin	44.01	40.82
<b>Other figures</b>		
Number of employees	517	482
Andorra branch network	20	19
<b>Fitch Ratings</b>		
Long-term	A	A
Short-term	F1	F1
Individual	B	B
Support	4	4

(\*) See note 18 of Annual Report.

(\*\*) As per ANIF memorandum 141/02.

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**Crédit Andorrà**

## Introduction

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In 2010 there was a moderate macroeconomic recovery in the international economic situation, once again led by the emerging countries. The advanced economies of Canada, Germany and the United States regained positive growth rates and China continued to lead the field of emerging economies, becoming the second world economy behind the United States. The IMF's forecast for world growth in 2011 is around 4.4%.

There have been some positive aspects to 2010, with a change in growth prospects at a global level thanks to the main financial markets recovering in advanced countries.

The United States' economy has grown by 2.7%. However, unemployment has remained stubbornly high and the real estate sector is still very weak, with consumer confidence also remaining at record low levels.

In the euro zone, the European Central Bank has implemented the necessary policies to safeguard monetary and price stability. We have witnessed a very gradual recovery (1.8%), albeit marked by a divergence between the weakness of peripheral countries and the strength of more central countries, with Germany at their head. In general terms, uncertainty and volatility remain, principally due to the tensions affecting sovereign debt. The economies in question will have to instigate bold, decisive structural reforms to establish solid foundations for growth and economic stability.

According to Andorra's economic figures in 2010, the negative trend of 2009 stabilized to a certain extent.

In the legislative area, there were significant reforms to tax regulations in 2010 while, at the beginning of 2011, the Act was passed to create a guarantee system for deposits from banks, bringing us in line with European standards and guaranteeing customers' deposits.

Concerning international standards, Andorra has completed its process of adapting to the OECD requirements regarding transparency and the exchange of information, passing the classified Act on information exchange for tax purposes with prior request and signing 18 bilateral agreements to exchange information.

Also significant is the Monetary Agreement that has been negotiated with Europe, allowing Andorra to use the euro as its official currency. However, this Agreement has yet to be ratified by the General Council of Andorra. The application of this community *acquis* will entail significant changes in all legislative areas, especially in finance and banking. The complexity of the environment and industry regulations present us with a new scenario and new challenges for the sector and for the country.

In 2010, at the Crèdit Andorrà Group we have focused our efforts on adapting and preparing the Bank for future requirements and on reinforcing our international project. The result has been very positive, maintaining our solid, continual leadership and our market share. Healthy solvency rates of 18.81% have also been achieved, with TIER 1 at 15.44%, and a liquidity rate of 54.68%, above the legal minimums established of 10% and 40%, respectively.

The consolidated balance sheet for the Crèdit Andorrà Group as at December 31, 2010 shows a total business volume of 12,270 million euros, placing us at the same level as last year, while total assets under management stand at 9,160 million euros. Credit investment rose by 2.6%, totalling 3,110 million euros, although demand for credit is still weak.

In spite of the difficult situation throughout last year, the Crèdit Andorrà Group saw a significant increase in all its business margins. The total operating income was 175.7 million euros, up 6.8% on the previous year, while the financial margin rose by 4.2%, totalling 71.4 million euros, and the net profit from operations came to 77.3 million euros, a rise of 6.3%. Thanks to rationalization and strict cost control, we have managed to maintain an excellent efficiency ratio of 44.01%.

After having applied a prudent and conservative policy of provisions for insolvency, the Crèdit Andorrà Group recorded a consolidated net profit of 77.81 million euros.

## Introduction

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In 2010 we also successfully completed the 2007-2010 Strategic Plan, which involved three broad objectives: to reinforce our competitive position, boost the Group's sustainability and develop internationalization as an engine for growth. Achieving these objectives has provided us with a solid international platform, thanks to the successful implementation of the expansion plan in Latin America and Europe, and has also prepared us technologically to tackle, with efficiency and security, the constant innovation experienced by the financial sector internationally. The new 2011-2014 Strategic Plan, which we are currently developing, includes innovation, quality and a service orientation to ensure the progress and management of our international venture.

In 2010 we reinforced the operational and commercial structure of our subsidiaries in Latin America, specifically in Mexico, Panama and Uruguay, while the strategy followed in Europe has been to strengthen the Group's asset management through the two collective investment companies (SICAV) in Luxembourg, our asset management firm Private Investment Management in Switzerland and also in Spain, through Valira Capital Asset Management. In the area of insurance, we have continued to expand throughout Spain via the holding ERM (Enterprise Risk Management).

Once again, our efforts to bring our work in line with the best international practices and standards have been rewarded by important distinctions and classifications. Fitch Ratings has renewed our ratings, with a long-term rating "A", a short-term rating "F1", a "B" individual rating and a support "4" rating, with a stable outlook; ratings that confirm the Bank's solid management, the quality of its assets, its significant liquidity and strong capitalization.

For the seventh time in the last nine years we have also been chosen as "Bank of the Year 2010 for Andorra", awarded by the financial magazine The Banker, part of the Financial Times Group. This award is a sign of the international recognition for our track record and the good results achieved continuously over the years.

We have renewed our two international certificates again, the ISO 9001:2008 for Crèdit Andorrà Asset Management, the Group's fund investment manager, and for the bank's departments of Treasury and Capital Markets and Market Administration and Control. This certification was also renewed in 2010 for Valira Capital Asset Management, our fund manager located in Madrid, first obtained in 2009. Crèdit Andorrà Asset Management has also once again renewed its GIPS certificate (Global Investment Performance Standards) for fund management quality, and by meeting the standards imposed by AIMA (Alternative Investment Management Association). In order to protect investors, we should point out that our fund manager already complies with the EU's Markets in Financial Instruments Directive (MiFID) and we are now working internally to adapt the whole Bank to this standard.

In the area of Social Responsibility, the Crèdit Andorrà Group continues to be a benchmark in Andorra. In 2010 we allocated a total of 1,810,000 euros, representing 2.33% of the net profits. The Group's overall investment, fundamentally managed through the Crèdit Andorrà Foundation, was distributed as follows: 45% to social initiatives, 22% to culture, 20% to education, 8% to cooperation with economic development and 5% to environmental project. Of note in this last area is the renewal of the ISO 14001 certificate, endorsing our environmental management.

The complicated situation faced over the last few years has highlighted that banking strength must be measured over the long term, according to its results and its sustainability. In this respect, our reputation is endorsed by our solid track record and our leading position in the Andorran finance industry.

The new paradigm of financial business has repositioned responsibility as a key factor in our management and in our stakeholder relations. This is the Crèdit Andorrà Group's firm commitment to its customers, shareholders, employees and communities in the countries where we operate, to ensure that progress is mutual.

## The Board of Directors

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**BOARD OF DIRECTORS**

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Chairman of the Board of Directors

**Antoni Pintat Santolària**

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Vice-chairman

**Jaume Casal Mor**

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Chief Executive Officer / Secretary

**Josep Peralba Duró**

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Member of the Board

**Rosa Pintat Santolària**

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Member of the Board

**Maria Reig Moles**

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Member of the Board

**Josep Vidal Martí**

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**EXECUTIVE COMMITTEE MEMBERS**

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Chief Executive Officer and General Manager

**Josep Peralba Duró**

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Business Deputy General Manager

**Xavier Cornella Castel**

---

Private Banking Division Director

**David Betbesé Aleix**

---

Insurance Group Director

**Josep Brunet Niu**

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Commercial Banking Division Director

**Jordi Cinca Mateos**

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Financial Division Director

**José Luis Dorado Ocaña**

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General Secretary to the C.E.O.

**Agustí Garcia Puig**

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Loans Department Director

**Frederic Giné Diumenge**

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Accounting, Reporting and Corporate Risk Control Director

**Josep Lluís Grasa Jordana**

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Resources Division Director

**Ramon Lladós Bernaus**

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**Credit Andorra**

**Financial statements  
Crédit Andorrà Group**

## Consolidated balance sheets as at December 31, 2010 and 2009

### Crédit Andorrà Group

#### ASSETS

	Euros (thousands)	
	2010	2009 (*)
<b>Cash and deposits with OECD central banks</b>	<b>37,566</b>	<b>29,925</b>
<b>Deposits with Andorran National Institute of Finance (ANIF) (notes 4 and 19)</b>	<b>46,245</b>	<b>46,245</b>
<b>Financial intermediaries (notes 4 and 5)</b>	<b>415,937</b>	<b>589,974</b>
Financial intermediaries at sight	273,317	88,669
Due from banks on time deposit	143,397	503,824
Provision for insolvencies	-777	-2,519
<b>Loan investments (notes 4 and 5)</b>	<b>3,084,616</b>	<b>3,002,649</b>
Customer loans and credits	3,057,165	2,856,473
Overdrafts on customer accounts	36,008	147,310
Customer bills discounted	16,522	26,380
Provision for insolvencies	-25,079	-27,514
<b>Securities portfolio (notes 4 and 6)</b>	<b>1,235,854</b>	<b>1,330,832</b>
Bonds and other fixed-income instruments	1,130,481	1,259,159
Provision for insolvencies	-1,279	-1,302
Provision for market fluctuations	-47	-5
Investments in Group companies	32,222	27,308
Other investments	17,831	23,247
Provision for market fluctuations	—	—
Shares and other equity securities	16,243	14,844
Provision for market fluctuations	-11	-2,109
Investment funds	40,525	9,690
Provision for market fluctuations	-111	—
<b>Intangible assets and expenses to be amortized (notes 2.4 and 7)</b>	<b>41,095</b>	<b>21,582</b>
Goodwill	—	—
Intangible assets and expenses to be written off	71,630	62,417
Accumulated amortization	-30,535	-40,835
<b>Fixed assets (note 7)</b>	<b>278,752</b>	<b>278,773</b>
Fixed assets	403,078	401,057
Accumulated depreciation	-117,576	-121,999
Provision for depreciation	-6,750	-285
<b>Accrued income and prepaid expenses (note 12)</b>	<b>46,547</b>	<b>29,487</b>
Accrued income	46,458	28,749
Prepaid expenses	89	738
<b>Other assets</b>	<b>38,268</b>	<b>33,613</b>
Operations in course	34,551	30,056
Stock	616	344
Options purchased	3,101	3,213
<b>Total assets</b>	<b>5,224,880</b>	<b>5,363,080</b>

(\*) Shown solely for purposes of comparison.

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

## LIABILITIES

	Euros (thousands)	
	2010	2009 (*)
<b>Andorran National Institute of Finance (ANIF)</b>	<b>57,104</b>	<b>58,614</b>
<b>Creditors (note 4)</b>	<b>4,284,286</b>	<b>4,411,907</b>
Banks and lending institutions	99,459	38,158
Other financial intermediaries	3,123	—
Customer deposits	4,181,704	4,373,749
<b>Bonds issued (note 4)</b>	<b>137,327</b>	<b>72,206</b>
<b>Provision for risks and contingencies (note 8)</b>	<b>3,382</b>	<b>2,707</b>
Provision for pensions and similar obligations	—	—
Provision for contingent liabilities	1,525	308
Other provisions	1,857	2,399
<b>Provision for general banking risks (note 11)</b>	<b>23,232</b>	<b>40,855</b>
<b>Subordinated liabilities (note 11)</b>	<b>150,000</b>	<b>150,000</b>
<b>Accrual accounts (note 12)</b>	<b>33,956</b>	<b>15,582</b>
Accrued expenses	15,474	13,375
Deferred income	18,482	2,207
<b>Other liabilities</b>	<b>17,700</b>	<b>25,594</b>
Operations in course	5,440	11,235
Options issued	2,390	2,124
Suppliers and other creditors	9,870	12,235
<b>Minority interest</b>	<b>553</b>	<b>705</b>
<b>Share capital (note 11)</b>	<b>70,000</b>	<b>70,000</b>
<b>Reserves (note 11)</b>	<b>404,524</b>	<b>473,255</b>
Legal reserve	14,000	14,000
Guarantee reserve	33,063	33,063
Voluntary reserve	208,380	273,164
Revaluation reserve	109,306	115,562
Consolidation reserve	39,775	37,466
<b>Income (notes 10 and 11)</b>	<b>42,816</b>	<b>41,655</b>
Income for year	77,816	76,655
Income from previous years awaiting allocation	—	—
Dividends paid out in advance	-35,000	-35,000
<b>Total liabilities</b>	<b>5,224,880</b>	<b>5,363,080</b>

(\*) Shown solely for purposes of comparison.

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



## Consolidated off-balance-sheet records as at December 31, 2010 and 2009

### Crédit Andorrà Group

	Euros (thousands)	
	2010	2009 (*)
<b>Contingent liabilities</b>	<b>212,561</b>	<b>242,293</b>
Guarantees given	207,394	239,587
Documentary letters of credit issued or received with notification to customers	5,167	2,706
<b>Commitments and contingent risks</b>	<b>444,763</b>	<b>453,535</b>
Operating commitments and risks	416,074	420,731
Actuarial commitments and risks	11,897	12,356
Other contingent commitments and risks	16,792	20,448
<b>Forward operations (note 14)</b>	<b>1,327,416</b>	<b>1,379,585</b>
Forward foreign exchange transactions	603,123	708,516
Forward transactions on other financial instruments	724,293	671,069
<b>Customer securities held in custody (note 18)</b>	<b>5,528,058</b>	<b>6,003,081</b>
Securities held in custody by third parties	4,815,879	4,880,707
Securities held in own custody	712,179	1,122,374
<b>Other off-balance-sheet records exclusively for management control (note 18)</b>	<b>1,161,403</b>	<b>734,548</b>
Guarantees and commitments obtained	387,755	344,872
Other off-balance-sheet records	773,648	389,676

(\*) Shown solely for purposes of comparison.

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

**Consolidated profit and loss account for years ended  
December 31, 2010 and 2009**

**Crédit Andorrà Group**

	Euros (thousands)	
	2010	2009 (*)
<b>Interest and related income</b>	<b>104,518</b>	<b>153,855</b>
ANIF and financial intermediaries at sight	497	1,324
On loan investments	75,700	122,576
On bonds and other fixed-income securities	28,321	29,955
<b>Interest and related expenses</b>	<b>-33,358</b>	<b>-85,646</b>
ANIF and financial intermediaries	-545	-1,493
On customer deposits	-25,329	-74,654
On bonds	-1,939	-3,380
On subordinated liabilities	-5,545	-6,119
On internal pension fund	—	—
<b>Income from equity securities</b>	<b>245</b>	<b>314</b>
From other investments	—	49
From shares and other equity securities	245	265
<b>Financial margin</b>	<b>71,405</b>	<b>68,523</b>
<b>Commissions, net (note 12)</b>	<b>88,848</b>	<b>81,466</b>
Commissions on services supplied	98,295	92,016
Commissions on services received	-9,447	-10,550
<b>Results of financial transactions</b>	<b>14,939</b>	<b>14,025</b>
Net provision for market fluctuations (note 6)	1,950	38
Foreign exchange earnings	5,178	5,925
Income from securities transactions	3,533	4,175
Income from forward transactions	-233	36
Share in losses / profits of companies accounted for by equity method	4,483	3,854
Other	28	-3
<b>Other ordinary profit</b>	<b>465</b>	<b>435</b>
<b>Ordinary margin</b>	<b>175,657</b>	<b>164,449</b>

(\*) Shown solely for purposes of comparison.

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

	Euros (thousands)	
	2010	2009 (*)
<b>Ordinary margin</b>	<b>175,657</b>	<b>164,449</b>
<b>Personnel costs</b>	<b>-33,842</b>	<b>-31,415</b>
Personnel, Board of Directors and indemnities	-26,937	-23,992
Social Security	-2,512	-2,279
Ordinary allocations to other insurance institutions (notes 3.9 and 9)	-2,603	-2,220
Other personnel costs	-1,790	-2,924
<b>General expenses (note 12)</b>	<b>-43,470</b>	<b>-35,712</b>
Supplies	-490	-783
External services	-23,750	-19,371
Taxes	-19,230	-15,558
<b>Depreciation expenses, net</b>	<b>-20,856</b>	<b>-24,359</b>
Depreciation allowed on intangible and tangible fixed assets	-20,856	-24,359
<b>Provision for depreciation of fixed assets, net</b>	<b>-209</b>	<b>-285</b>
Allocation of provision for depreciation of fixed assets	-209	-285
Recovery of provisions	—	—
<b>Operating margin</b>	<b>77,280</b>	<b>72,678</b>
<b>Provision for insolvencies, net (notes 5 and 6)</b>	<b>-15,731</b>	<b>-4,616</b>
Allocations to provision for insolvencies	-17,969	-12,344
Recovery of provisions for insolvencies	2,238	7,728
<b>Provision for risks and contingencies, net (note 8)</b>	<b>-1,298</b>	<b>-624</b>
Allocations to provision for risks and contingencies	-1,298	-708
Recovery of provisions for risks and contingencies	—	84
<b>Provision for general banking risks (note 11)</b>	<b>—</b>	<b>—</b>
<b>Ordinary profit</b>	<b>60,251</b>	<b>67,438</b>
<b>Extraordinary profit (note 12)</b>	<b>17,414</b>	<b>9,196</b>
Recovery of provisions for general banking risks (note 11)	17,581	12,431
Other extraordinary profit	-167	-3,235
<b>Profit for the year</b>	<b>77,665</b>	<b>76,634</b>
<b>Profit attributed to minority interest</b>	<b>-151</b>	<b>-21</b>
<b>Profit attributed to the Group</b>	<b>77,816</b>	<b>76,655</b>

(\*) Shown solely for purposes of comparison.

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

**Statement of source and application of funds for years ended  
December 31, 2010 and 2009**

**Crédit Andorrà Group**

**SOURCES OF FUNDS**

	Euros (thousands)	
	2010	2009 (*)
<b>Funds generated by operations</b>	<b>98,286</b>	<b>90,216</b>
Profit for the year	77,816	76,656
Net provision for insolvencies	15,731	4,616
Net provision for asset depreciation	6,465	285
Net provision for market fluctuations	-1,950	—
Allocations to other funds	106	624
Other	-16,390	-12,469
Depreciation of tangible and intangible fixed assets	20,856	24,359
(Profit)/ Loss on sale of fixed assets	135	-1
Profits from companies accounted for by equity method	-4,483	-3,854
<b>Positive change in liabilities over assets</b>	<b>240,204</b>	<b>1,242,953</b>
Cash	—	—
ANIF and financial intermediaries	240,204	1,125,552
Other headings	—	117,401
<b>Net increase in liabilities</b>	<b>65,122</b>	<b>—</b>
Creditors - Customers	—	—
Subordinated liabilities	—	—
Bonds issued	65,122	—
<b>Net decrease in assets</b>	<b>107,680</b>	<b>1,571</b>
Securities portfolio less investments	107,680	1,571
<b>Sale of permanent investments</b>	<b>—</b>	<b>—</b>
Sale of investments	—	—
Sale of fixed assets	—	—
<b>Total source of funds</b>	<b>511,292</b>	<b>1,334,740</b>

(\*) Shown solely for purposes of comparison.

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

## APPLICATION OF FUNDS

	2010	Euros (milers)	2009 (*)
<b>Funds applied to operations</b>	<b>7,472</b>		<b>10,017</b>
Applied from other funds	—		—
Other	7,472		10,017
<b>Positive change in assets over liabilities</b>	<b>12,746</b>		<b>9,556</b>
ANIF and financial intermediaries	1,511		2,406
Other headings	11,235		7,150
<b>Net decrease in liabilities</b>	<b>192,045</b>		<b>517,016</b>
Creditors - Customers	192,045		505,718
Bonds issued	—		11,298
<b>Net increase in assets</b>	<b>107,081</b>		<b>569,031</b>
Cash	7,641		—
Loan investments - Customers	99,440		130,212
Securities portfolio less investments	—		438,819
<b>Purchase of permanent investments</b>	<b>53,217</b>		<b>51,502</b>
Purchase of investments	6,269		—
Purchase of tangible and intangible fixed assets	46,948		51,502
<b>Funds applied to financing operations</b>	<b>138,731</b>		<b>177,618</b>
Supplementary dividend for previous year	35,000		35,000
Preliminary dividend for current year	35,000		35,000
Other equity amounts	68,731		107,618
<b>Total application of funds</b>	<b>511,292</b>		<b>1,334,740</b>

(\*) Shown solely for purposes of comparison.

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

## Notes on the consolidated financial statements at December 31, 2010 and 2009

### Crédit Andorrà SA Group

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#### Note 1 Identity of the Bank and its activities

Crédit Andorrà SA (hereinafter the Bank), authorised in 1949, is a limited company engaged in banking activities which it carries out as a commercial bank and as a private bank, and is subject to the rules and regulations governing financial institutions operating in Andorra.

The Bank's registered offices are at Avinguda Meritxell, 80, Andorra la Vella, Principality of Andorra.

Crédit Andorrà SA is the parent company in the Group and, together with its subsidiaries, set out in Notes 2.4 and 6.1, form part of the Crédit Andorrà SA Group (hereinafter the Group).

#### Note 2 Bases of presentation and consolidation principles

##### 2.1 Approval by the General Shareholders' Meeting

The Group's annual consolidated financial statements for the year ending December 31, 2009 were approved by the Bank's General Shareholders' Meeting on April 29, 2010.

The annual consolidated financial statements of the Group, of the Bank and of almost all the companies that form part of the Group for the year 2010 are pending approval by their respective General Shareholders' Meetings. Nevertheless, the Bank's Board of Directors believes they will be approved without any changes.

##### 2.2 Presentation and Application of the Accounting Plan of the Andorran Financial System

These consolidated financial statements have been drawn up by the Bank's administrators based on the accounting records of the banks and companies that go to make 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 consolidated equity, consolidated financial position, consolidated results and resources obtained and applied by the Group.

The consolidated financial statements are presented in thousands of euros, which is the currency used for the Group's operations and presentations, rounded up or down to the nearest thousand.

The Andorran National Institute of Finance (ANIF) is the body charged with the supervision and control of those entities that go to make up the Andorran Financial System, as well as the implementation and application of the Accounting Plan of the Andorran Financial System and those regulations applicable to these entities.

Note 3 summarises the accounting principles and policies and the most significant valuation criteria applied in preparing these consolidated financial statements.

No mandatory accounting principle or valuation criterion having a significant effect on these consolidated financial statements has been excluded.

##### 2.3 Critical aspects of valuation, estimating uncertainty and relevant opinions made when applying accounting policy

The preparation of the consolidated financial statements requires the use of relevant accounting estimates, the application of opinion and processes of estimation and hypothesis. In this respect, below is a summary

providing details on those aspects that have involved a greater degree of opinion and complexity or for which the hypotheses and estimates are significant in preparing these consolidated financial statements.

- Useful life of tangible and intangible assets and expenses that can be depreciated.
- Fair value of certain assets and liabilities not listed.
- Calculation of provisions made.

Although the estimates made by the Bank's Administrators as at December 31, 2010 have been carried out according to the best available information to date, events that may take place in the future may require these to be modified in the next few years. This modification would be carried out prospectively, recognising the effects of the change in estimate in the corresponding consolidated profit and loss accounts.

## 2.4 Consolidation principles

According to the Accounting Plan of the Andorran Financial System, there is a relationship of control by a dominant entity over a dependent entity when the former, either directly by itself or indirectly through other persons or entities acting on its behalf or in agreement with the former:

- holds a majority of the voting rights or is able to make use of, pursuant to an agreement with other shareholders, a majority of the voting rights of the latter;
- has the right or has actually exercised the right to appoint or remove the majority of the members of the governing body;
- has appointed, exclusively with its votes, at least half plus one of the members of the governing body of the latter, or
- controls the governing body because at least half plus one of the members of the governing body of the latter are board members or senior management, directly or indirectly, of the former.

The same economic group is made up of those entities that, irrespective of their legal form, activity or company domicile, constitute:

- a decision-making unit so that one of these entities exercises, directly or indirectly, the sole management of the other entities or the aforementioned management is exercised by one or more individuals acting systematically and co-ordinately, and
- an economic unit of risk because its solvency, capacity to generate funds or future viability depends closely on any of its components.

In any case, dominant entities and their dependent entities are understood as an economic group.

Multigroup entities are those not included in the economic group but which are managed by one or more entities of the group and which form part of its share capital, together with one or more other entities which are not related to it. Entities are understood to be managed jointly when, in addition to forming part, directly or indirectly, of the capital, any of the following circumstances apply:

- joint management has been established in the company articles of association, or
- there are pacts or agreements that allow shareholders to exercise their right to veto in taking company decisions.

Associated entities are those not included in the economic group but which meet both the following requirements:

- one or more group entities form a part, directly or indirectly, of the entity's share capital, and
- a long-lasting relationship has been created that contributes to its activity.

These requirements are deemed to have been met when one or more group entities hold a direct or indirect share in the company's capital of at least 20%, or 3% if it is quoted on a regulated market.

### **Consolidation methods**

Full integration is applied when the entity to be consolidated carries out a non-differentiated activity (entities from the financial system or instrumental and/or auxiliary entities, fundamentally) and when it belongs to the economic group.

According to the full integration method, the book value of investments and flows resulting from this situation is replaced with the assets and liabilities, and with the income and expenditure of the investee company, i.e. the items of the subsidiaries to be consolidated that form part of the group are included within or added to the balance sheet and to the profit and loss account of the parent company, replacing the book value of the investment with the assets and liabilities of the companies to be consolidated.

All significant balances from the balance sheet and the off-balance-sheet accounts, i.e. loans, debts and claims existing between Group entities, have been eliminated.

Income and expenditure related to significant transactions between consolidated entities have been eliminated and do not affect the Group's results. Results produced by internal transactions have been eliminated and deferred until realised via third parties.

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

The accounts of the consolidated entities are governed by the same rules of classification, valuation, depreciation and supply.

The consolidation of the profit or loss generated by subsidiaries acquired in a financial year is carried out by taking only into consideration the results for the period between the date of acquisition and the date this period ends.

In the case of the fully-integrated consolidation method, in the consolidated profit or loss, the part corresponding to the Group, according to the Group's percentage investment, is differentiated from the part corresponding to the minority, i.e. that which does not belong to the Group. In the liabilities of the balance sheet, the heading "Minority interest" reflects the part that does not form part of the equity and that corresponds to minority shareholders.

The equity method is applied when the entity to be consolidated is an associated company, when it belongs to the economic group but carries out a differentiated activity and when it is a multigroup company with a differentiated activity.

In the equity consolidation method, the book value of the investment is replaced by the corresponding percentage of equity in the investee company, with adjustment to liabilities, if necessary, of the differences between the investment and the equity of the company consolidated via the equity method. As established by ANIF Memorandum 162/05, in subsequent consolidations any variations in equity (if negative, up to the difference between the equity of the previous consolidation and the book value of the investment) are presented within the section "Share in (losses) / profits of companies accounted for by equity method" of the profit and loss account of the financial statements for the part corresponding to the profit or loss of the investee company. In other cases, variations in equity have a direct balancing entry in liabilities under "Consolidation reserves".

### Consolidated entities

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

2010	Domicile	Activity	Consolidation method	Auditor	% participation	Equity	Profits / Losses	Dividends paid out
Crediinvest SA (*)	Andorra	Fund Manager	Fully	KPMG	100%	2,080	1,823	450
Crédit Initiatives SA (*)	Andorra	Venture capital	Fully	—	100%	14,194	250	—
Patrigest	Andorra	Property	Fully	—	100%	996	68	—
Crédit Capital								
Immobiliari SAU (**)	Andorra	Property	Fully	—	100%	10,421	236	—
Valira Asset Management SL	Spain	Investment advice	Fully	KPMG	60%	1,383	-379	—
Crédit Andorrà (Panamá)	Panama	Banking	Fully	KPMG	100%	8,171	-2,648	—
Crédit Andorrà Preference Ltd.	Cayman	Financial	Fully	—	100%	1	—	—

2009	Domicile	Activity	Consolidation method	Auditor	% participation	Equity	Profits / Losses	Dividends paid out
Crediinvest SA (*)	Andorra	Fund Manager	Fully	KPMG	100%	707	714	1,043
Crédit Initiatives SA (*)	Andorra	Venture capital	Fully	—	100%	13,944	12	—
Patrigest	Andorra	Property	Fully	—	100%	877	90	—
Crédit Capital								
Immobiliari SAU (**)	Andorra	Property	Fully	—	100%	10,185	188	—
Valira Asset Management SL	Spain	Investment advice	Fully	KPMG	60%	1,762	-54	260
Crédit Andorrà (Panamá)	Panama	Banking	Fully	KPMG	100%	5,113	-961	—
Crédit Andorrà Preference Ltd.	Cayman	Financial	Fully	—	100%	1	—	—

(\*) Percentage direct and indirect participation.

(\*\*) Formerly CaixaBank SA.

**Crediinvest SA** is a fund management company, for which **Crédit Andorrà SA** acts as a sales entity.

In 2009, **Crediinvest SA** opened new investment bodies in Luxembourg to manage part of its customer funds that, up to that date, had been managed with funds domiciled in Andorra. With this action, the **Crédit Andorrà Group** continued the internationalisation process it is currently undertaking, through which it aims to break into new markets and gain access to a larger number of potential customers.

**Crédit Andorrà SA** is the depository for the Andorran investment funds.

This company, and the various investment bodies it manages, comes under the supervision and control of the ANIF. The dividend obtained in 2010 was 450 thousand euros, as the interim dividend for the 2010 financial year.

The products offered by **Crediinvest SA** are sold under the name of **Crédit Andorrà Asset Management**.

As at September 9, 2010, pursuant to the provisions in article 24.2 of Spanish Act 13/2010 on the legal regime for financial investment institutions and firms managing open-ended investment companies (OEIC), Crediinvest SA has asked the ANIF to extend its activities with:

- the discretionary, individualized management of portfolios in accordance with the mandate given by customers, and
- advice on investment, which consists of providing customers with personalized recommendations concerning one or more operations related to financial instruments.

**Crédit Initiatives SA** is a venture capital company.

**Patrigest SA** is a property asset management company.

**Crédit Capital Immobiliari SAU** is a property company whose only activity is holding and managing certain property from the acquisition of CaixaBank SA on July 31, 2005, and on which Crédit Andorrà SA exercised a call option in 2008.

**Crédit Andorrà Preference Ltd.** is a 100% owned subsidiary of Crédit Andorrà, established in December 2005 for the issue of preferred shares (see note 11).

**Valira Asset Management SL**, established in January 2007 with its head offices in Madrid (Spain), is a company with a complete structure for investment management and advisory services in the area of Hedge Funds. It currently has its own instruments to manage and control risks.

In September 2007, Crédit Andorrà SA joined this company as a majority shareholder with a 60% share.

On January 15, 2008, Valira Asset Management SL, with the authorization of Spain's National Securities Commission (hereinafter the CNMV), established a Mutual Fund Institutions Management Society under the name of Valira Capital Asset Management S.G.I.I.C. SAU. Its corporate purpose consists of advising on eligible counterparties, the administration, representation, management of investments and management of the subscriptions and reimbursement of investment funds and companies, as established by article 40 of Spanish Act 35/2003, dated November 4.

On November 3, 2009, once it had registered with ANIF, Valira Asset Management SL applied to the CNMV for permission to extend its activities in order to be able to manage traditional investment funds and OEIC, as well as custody and administration activities.

On January 22, 2010, Spain's National Securities Commission (CNMV) approved the modification of the programme of activities of Valira Capital Asset Management, SGIIC, SA and it was entered in the corresponding ANIF records on February 12, 2010.

**Crédit Andorrà Panamá Holding SA** is a 100% owned subsidiary of Crédit Andorrà SA whose sole corporate purpose is to carry out the functions of a parent company for the subgroup Crédit Andorrà Panamá, the vehicle used by the Bank to channel the expansion of its Latin American business.

In September 2008, the Republic of Panama Superintendency of Banks (the supervising authority in that country) authorised an international banking licence for Crédit Andorrà. Subsequently, on November 17, 2008, Banco Crédit Andorrà (Panamá) SA was set up, 100% owned by Crédit Andorrà Panamá Holding SA, and started operations with the main purpose of carrying out asset management, offering customers a wide variety of financial services and global advice.

In 2009, the Crèdit Andorrà Group was granted a licence by the National Securities Commission of the Republic of Panama to operate through the securities firm **Crèdit Andorrà Panamá Securities SA**. This subsidiary, 100% owned by Crèdit Andorrà Panamá Holding SA, focuses its services on brokerage and financial investment.

In addition to the above-mentioned companies, the subgroup Crèdit Andorrà Panamá, which can be consolidated, is also made up of the following companies: Crèdit Andorrà Panamá Patrimonial SA (100%), Crèdit Andorrà Panamá Call Center SA (100%) and Patrigest Uruguai SA, a representative office in Montevideo in Uruguay (100%).

In 2010, the capital of Crèdit Andorrà Panamá Holding SA was increased by 7 million dollars to ensure the subgroup is solvent enough to carry out its growing business.

The establishment of the subgroup Crèdit Andorrà Panamá forms part of the expansion policy of the Crèdit Andorrà Group, which has led the Group to be present in countries such as Spain, Switzerland, Luxembourg, Mexico, Uruguay and Panama.

On the other hand, and as part of its development plan, the Bank has also taken out investment commitments totalling 71,995 thousand euros, subject to certain regulatory authorization and administrative procedures.

The Group entities consolidated by the equity method are mentioned in notes 6.1 and 6.2.

## **2.5 Comparing the information**

The information contained in these financial statements for 2010 referring to 2009 is only presented for comparative purposes and therefore does not constitute the Group's consolidated financial statements for 2009.

During 2010, and according to the specific ANIF Memorandum dated December 21, 2010, the results obtained from selling assets from the securities portfolio will be recorded according to the purpose for which they have been acquired. In the case of products acquired to be placed with customers, the margin obtained by the sale will be considered as commission under item IV "Commissions on services supplied", whereas the profit or loss obtained from selling securities acquired by the Bank's own portfolio will be recorded as a profit or loss from financial transactions. This change in accounting criterion has had no significant effect on the results for the year or on the balance at year-end.

## **Note 3 Accounting principles and valuation guidelines**

The accounting principles and policies and the valuation criteria established by the ANIF in the Accounting Plan of the Andorran Financial System have been applied in preparing these financial statements for 2010. These principles are as follows:

### **3.1 Going concern premise**

In preparing the consolidated accounts, it has been assumed that the management of the entities within the Group will continue in the future. The application of the accounting rules has therefore not been aimed at determining the value of the net consolidated equity for the purposes of its total or partial transfer, nor the resulting amount in the case of it being dissolved.

### **3.2 Accrual accounting**

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

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

### 3.3 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 expenditure for interest.

### 3.4 Conversion of foreign currencies

Assets and liabilities expressed in foreign currencies other than the euro are converted to euros at the exchange rate current on the balance sheet date, obtained from reliable market sources. Income and expenditure are converted at exchange rates current on the date transactions take place.

Below are details of the key exchange rates at December 31:

	2010	2009
US dollars	1.3144	1.4280
Swiss francs	1.25	1.4877
Pounds sterling	0.8514	0.8942
Japanese yen	107.6888	132.43
Canadian dollars	1.3139	1.5057

### 3.5 Provision for insolvencies

#### A. Specific provisions

The determination of specific provisions is based on quantitative and qualitative regulatory guidelines and on a detailed analysis of exposure to credit risk, carried out by the entity itself, bearing in mind experience of actual loan losses and other relevant factors.

#### B. General provisions

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

- 1% of loan investments to customers. This includes loan investments to the public sector, as well as operations which, pursuant to that established in ANIF Memorandum 198/10 on the Evaluation of land and property under mortgage guarantee, cannot be considered as effective mortgage cover since no appraisal has been carried out by an independent professional.
- 0.5% of bank loan investment to banks.
- Loan investments for the part covered by financial guarantee contracts and loans secured by the pledge of listed securities, with the limit of the market value of these securities, and loans and mortgage loans with sufficient mortgage cover, pursuant to that established in ANIF Memorandum 198/10 on the Evaluation of land and property under mortgage guarantee, are not recorded under general provisions.

The Group also carries a general provision for insolvency for the institutional securities portfolio:

- 1% of the bonds issued by non-bank entities.
- 0.5% of the bonds issued by banks.
- Bonds issued by the central administrations of OECD countries and Andorra or those expressly guaranteed by these organisms are not recorded under general provisions.

#### C. Provision for country risk

The Group operates only with correspondent banks and lending institutions established in Andorra and in OECD countries. Risks regarding an institution's branches abroad are considered as being in the parent

company's country of residence. The securities portfolio is made up of issues carried out in Andorra and the OECD, except in the case of the odd issue traded in recognised 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.

### 3.6 Securities portfolio

The securities that go to make up the Bank's securities portfolio are presented, according to their classification, in line with the following criteria:

#### Fixed income

The fixed-income securities that form part of the Group's portfolio are presented, according to their classification, in line with the following criteria:

a) Securities classified as part of the trading portfolio, which are bonds the Group expects to see before maturity in order to benefit in the short term from price variations, are brought into account at their market value. The profit or loss arising from the valuation of these bonds, without taking into account the accrued interest, is recorded net in the profit and loss account under the item "Results of financial transactions – Income from securities transactions" in the enclosed profit and loss account. Interest accrued after acquisition is recorded under "Interest and related income – Bonds and other fixed-income securities".

b) Securities within the held-to-maturity portfolio are bonds that the Group has decided to keep until they mature, being capable of doing so. These securities are recorded at their adjusted cost price. The cost price is adjusted daily by the amount resulting from accruing the negative or positive difference between the reimbursement value and cost price during the remaining life of the security. The result of this accrual is recorded under "Interest and related income – Bonds and other fixed-income securities".

On the disposal of securities, any losses arising are carried to the profit and loss account as extraordinary profit or loss; in the case of profit, this accrues lineally throughout the remaining life of the security sold.

c) The rest of the securities are classified in the ordinary investment portfolio and are valued at their cost price. However, the difference between the market or fair value and the cost price is calculated and provision is made, charged to the profit and loss account, to the market fluctuations fund.

The market value of unlisted fixed-income securities has been determined using either a model (an evaluation study carried out by an independent professional of renowned prestige or by the valuation section of the Risk Control department) or by using other information obtained from the market itself (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 the provision for market fluctuations mentioned above.

Transfers of securities from the trading portfolio to any other portfolio are carried out at market price, less the accrued interest, if necessary. Securities are transferred from the ordinary investment portfolio to the held-to-maturity portfolio at cost price or market value, whichever is lower, and any losses arising are written off, if necessary.

#### Permanent investments

As established by ANIF Memorandum 123/01, as a general rule shares classified in the permanent investment portfolio are valued on the balance sheet at their cost price or market value, whichever is lower. If the latter is lower, the necessary provision must be made to reflect the depreciation in the market fluctuation fund.

For listed shares, the market value will be determined using the share price on the last day of the year and, for unlisted shares, using the theoretical book value of the holding based on the latest available balance sheet.

Regarding unlisted shares of Group companies, these will be shown at the value of the fraction they represent of the net equity of the holding adjusted for the potential capital gains existing at the time of acquisition and still remaining up to the limit of the acquisition price.

When presenting the balance sheet, the fluctuation fund for these securities will reduce the corresponding heading for the assets in question.

### **Shares and investment funds**

Shares and parts of investment funds within the trading portfolio are recorded at market value.

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

Market value is determined in accordance with the following criteria:

- Listed shares: share price on the last day of the year.
- Unlisted shares: underlying book value, based on the latest available balance sheet.
- Parts of investment funds: latest values provided by the managing companies and/or depositories of the investment funds.

### **3.7 Intangible assets and amortizable expenses**

Intangible assets, basically corresponding to the cost of IT applications, and amortizable expenses are stated at cost and amortized over their useful life up to a maximum of 5 years.

With regard to amortizable expenses, only those expenses are activated that may be affected in more than one year, such as expenditure related to the start-up of new subsidiaries or businesses. In this respect, expenditure is activated that is directly related to the start-up of new subsidiaries and/or businesses until these are fully operational, from which time such expenses are recorded in the profit and loss account for the year in which they occur.

### **3.8 Fixed assets**

Fixed assets are recorded at cost, updated if necessary, less accumulated depreciation, which is spread over the useful life of each individual asset. Land where buildings and other constructions are located has an indefinite life and is therefore not depreciated.

Provision for depreciation is made when a reversible loss of economic value of the fixed asset is apparent.

At June 12, 2008, and with the prior presentation of valuations carried out by an independent expert, the ANIF authorised Crèdit Andorrà SA to revalue certain working fixed assets (basically property) by 30% and non-working fixed assets by 90% of the difference between the market value established in this valuation and the book value of the assets at December 31, 2006. The revaluation totalled 101,628 thousand euros, recorded with a balancing entry in a revaluation reserve, as established by the Accounting Plan of the Andorran Financial System (see note 11).

Moreover, premises acquired or built before December 31, 1989 appeared on the balance sheet at their estimated market value, as established by an independent expert in November 1989 (see note 11).

When a decrease in value takes place, amounts recorded as revaluation reserve may be transferred directly to voluntary reserves.

Upkeep and maintenance costs of fixed assets that do not improve their use or lengthen their useful life are charged to the profit and loss account when they occur, under general expenses.

Individual fixed assets are depreciated using the straight-line method in accordance with the following terms:

	Years
Buildings	50 to 30
Installations	10 to 6
Furniture	10 to 3
IT equipment	5 to 3
Vehicles	5

Other properties acquired through partial or full foreclosure on loans are recorded under “Non-working fixed assets” at the book value of the loan foreclosed at the time of acquisition or the estimated market value, whichever is lower.

Subsequently, assets acquired through foreclosure on unrepaid loans that are not applied to buildings / equipment for own use or that remain unsold within a period of 3 years are depreciated, as 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%

The book value of repossessed land and property must be certified by an updated valuation (at least every two years), carried out by an independent appraisal organization. Any reductions in value are recorded in the profit and loss.

### **3.9 Provision for risks and contingencies**

#### **A. Specific provisions on contingent liabilities**

Provisions for contingent liabilities contain the amounts to cover contingent payments or contingencies of a specific nature.

#### **B. Provision for pensions and similar obligations**

Obligations with all Crèdit Andorrà SA employees and their beneficiaries related to such contingencies as retirement, death and incapacity (defined contribution system) are currently outsourced to an independent Andorran foundation (Previfun), established in 1998, and are governed under the *Regulation of Mutual Funds for Benefit and Aid to Crèdit Andorrà SA Employees*, approved by the Ordinary General Mutual Fund Members Meeting of October 23, 2006.

### **3.10 Provision for general banking risks**

The Group makes provision for general banking risks corresponding to funds allocated by the Bank for reasons of prudence, given the risks inherent in its banking activity.

### **3.11 Financial derivatives**

The Group uses these instruments, principally futures or forward currency contracts, to hedge its balance positions in currencies other than the euro, recorded in off-balance sheet accounts at the nominal exchange amount at maturity of the respective contracts (see note 14).

Transactions undertaken in order to eliminate or significantly reduce exchange rate, interest rate or market risks in equity positions or other operations are considered hedging transactions. Any profit or loss generated by these hedging transactions is accrued in the profit and loss account symmetrically as income or expenditure for the item hedged.

Non-hedging operations, i.e. trading transactions undertaken in regulated markets, are stated at their listed value and fluctuations are recorded in the profit and loss accounts.

### **3.12 Indirect tax on banking and financial services**

In its meeting on May 14, 2002, the General Council of the Principality of Andorra approved the Indirect Taxation on Banking and Financial Services Act. This Act came into force in 2002 and its object was to levy taxes on services provided by banking and financial entities. Subsequently, on July 10, 2002, the Government of Andorra approved the regulations related to the Indirect Taxation on Banking and Financial Services Act.

The rate is calculated according to a system that estimates, based on economic and financial data, the value of the services provided.

On February 21, 2005, the General Council of the Principality of Andorra passed the Act to Modify the Indirect Tax Rate on Banking and Financial Services, raising the rate from 7% to 12%, applicable as of April 1, 2005. Subsequently, on March 30, 2005, it approved the amendment to the regulation governing the Indirect Tax Rate on Banking and Financial Services.

Accrued expenditure for indirect tax on banking and financial services in 2010 (ISI in Catalan) amounted to 16,396 thousand euros (12,744 thousand euros in 2009), and is recorded under the heading "General expenses – Taxes" in the profit and loss account (see note 12.4). The net amount due, having deducted payments on account, is recorded under the heading "Other liabilities – Suppliers and other creditors" on the enclosed balance sheet. Should the Group be entitled to a tax refund, this is recorded under the heading "Accrued Income – Prepaid expenses". This tax will be paid during the first quarter of 2011.

### **3.13 Unused lines of credit**

Lines of credit granted to customers are recorded in the balance sheet at the amount provided, and the amounts available in off-balance sheet accounts are recorded under the heading "Commitments and contingent risks – Operating commitments and risks".

## 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 at December 31, 2010 and 2009 is as follows (in thousand euros):

2010	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
<b>Assets</b>							
ANIF	—	46,245	—	—	—	—	46,245
Financial intermediaries - sight, gross	—	273,317	—	—	—	—	273,317
Financial intermediaries - forward, gross	—	80,816	14,521	48,060	—	—	143,397
Loan investments, gross	153,990	139,549	205,611	551,335	896,597	1,162,613	3,109,695
Bonds and other fixed - income instruments	—	—	506	120,011	568,337	441,627	1,130,481
<b>Total</b>	<b>153,990</b>	<b>539,927</b>	<b>220,638</b>	<b>719,406</b>	<b>1,464,934</b>	<b>1,604,240</b>	<b>4,703,135</b>
<b>Liabilities</b>							
ANIF	—	57,104	—	—	—	—	57,104
Banks and lending institutions	—	99,459	—	—	—	—	99,459
Other financial intermediaries	—	3,123	—	—	—	—	3,123
Customer deposits	—	1,695,789	1,005,392	1,341,491	56,688	82,344	4,181,704
Bonds issued	—	8,374	600	42,754	52,528	33,071	137,327
<b>Total</b>	<b>—</b>	<b>1,863,849</b>	<b>1,005,992</b>	<b>1,384,245</b>	<b>109,216</b>	<b>115,415</b>	<b>4,478,717</b>
<b>2009</b>							
2009	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
<b>Assets</b>							
ANIF	—	46,245	—	—	—	—	46,245
Financial intermediaries - sight, gross	—	88,669	—	—	—	—	88,669
Financial intermediaries - forward, gross	—	441,075	32,614	30,135	—	—	503,824
Loan investments, gross	83,094	111,305	148,121	909,417	1,023,680	754,546	3,030,163
Bonds and other fixed - income instruments	—	2,001	—	65,223	605,863	586,072	1,259,159
<b>Total</b>	<b>83,094</b>	<b>689,295</b>	<b>180,735</b>	<b>1,004,775</b>	<b>1,629,543</b>	<b>1,340,618</b>	<b>4,928,060</b>
<b>Liabilities</b>							
ANIF	—	58,614	—	—	—	—	58,614
Banks and lending institutions	—	38,158	—	—	—	—	38,158
Customer deposits	—	1,798,917	1,098,106	1,371,088	42,552	63,086	4,373,749
Bonds issued	—	—	15,000	26,185	20,033	10,988	72,206
<b>Total</b>	<b>—</b>	<b>1,895,689</b>	<b>1,113,106</b>	<b>1,397,273</b>	<b>62,585</b>	<b>74,074</b>	<b>4,542,727</b>

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

At December 31, 2010 and 2009 there were no amounts without maturity date.

## 4.2 Currency breakdown

Details of the currency breakdown of certain assets and liabilities as at December 31, 2010 and 2009 (in thousand euros) are as follows:

2010	Euros	US dollars	Swiss francs	Pounds sterling	Japanese yen	Canadian dollars	Other currencies	Total
<b>Assets</b>								
<b>ANIF</b>	<b>46,245</b>	—	—	—	—	—	—	<b>46,245</b>
Financial intermediaries, at sight	165,417	35,120	2,362	45,153	873	6,279	18,113	273,317
Banks and lending institutions	5,985	83,689	—	19,967	—	12,558	21,198	143,397
Provision for insolvencies (-)	-777	—	—	—	—	—	—	-777
<b>Total financial intermediaries, net</b>	<b>170,625</b>	<b>118,809</b>	<b>2,362</b>	<b>65,120</b>	<b>873</b>	<b>18,837</b>	<b>39,311</b>	<b>415,937</b>
Customer loans and credits	2,875,030	87,972	66,484	9,528	16,447	1,542	162	3,057,165
Overdrafts on customer accounts	25,512	892	3,637	255	5,661	7	44	36,008
Customer bills discounted	16,522	—	—	—	—	—	—	16,522
Provision for insolvencies (-)	-24,606	-276	-24	-10	-163	—	—	-25,079
<b>Total loan investments, net</b>	<b>2,892,458</b>	<b>88,588</b>	<b>70,097</b>	<b>9,773</b>	<b>21,945</b>	<b>1,549</b>	<b>206</b>	<b>3,084,616</b>
<b>Securities portfolio, net</b>	<b>820,070</b>	<b>340,969</b>	—	<b>74,815</b>	—	—	—	<b>1,235,854</b>
<b>Total</b>	<b>3,929,398</b>	<b>548,366</b>	<b>72,459</b>	<b>149,708</b>	<b>22,818</b>	<b>20,386</b>	<b>39,517</b>	<b>4,782,652</b>
<b>Liabilities</b>								
<b>ANIF</b>	<b>57,104</b>	—	—	—	—	—	—	<b>57,104</b>
<b>Banks and lending institutions</b>	<b>5,445</b>	<b>44,483</b>	<b>27,027</b>	<b>213</b>	<b>17,663</b>	<b>4,281</b>	<b>347</b>	<b>99,459</b>
<b>Other financial intermediaries</b>	<b>2,426</b>	<b>594</b>	—	<b>103</b>	—	—	—	<b>3,123</b>
<b>Customer deposits</b>	<b>3,422,047</b>	<b>504,650</b>	<b>45,813</b>	<b>148,449</b>	<b>5,196</b>	<b>16,098</b>	<b>39,451</b>	<b>4,181,704</b>
<b>Bonds issued</b>	<b>135,470</b>	<b>739</b>	—	<b>1,118</b>	—	—	—	<b>137,327</b>
<b>Total</b>	<b>3,622,492</b>	<b>550,466</b>	<b>72,840</b>	<b>149,883</b>	<b>22,859</b>	<b>20,379</b>	<b>39,798</b>	<b>4,478,717</b>

<b>2009</b>	<b>Euros</b>	<b>US dollars</b>	<b>Swiss francs</b>	<b>Pounds sterling</b>	<b>Japanese yen</b>	<b>Canadian dollars</b>	<b>Other currencies</b>	<b>Total</b>
<b>Assets</b>								
<b>ANIF</b>	<b>46,245</b>	—	—	—	—	—	—	<b>46,245</b>
Financial intermediaries, at sight	73,871	6,905	867	2,050	854	748	3,374	88,669
Banks and lending institutions	219,360	170,868	—	77,164	—	18,264	18,168	503,824
Provision for insolvencies (-)	-1,097	-854	—	-386	—	-91	-91	-2,519
<b>Total financial intermediaries, net</b>	<b>292,134</b>	<b>176,919</b>	<b>867</b>	<b>78,828</b>	<b>854</b>	<b>18,921</b>	<b>21,451</b>	<b>589,974</b>
Customer loans and credits	2,762,650	7,522	61,304	8,001	16,576	138	282	2,856,473
Overdrafts on customer accounts	63,291	79,493	664	3,464	218	121	59	147,310
Customer bills discounted	26,376	4	—	—	—	—	—	26,380
Provision for insolvencies (-)	-27,082	-133	-76	-108	-80	-3	-32	-27,514
<b>Total loan investments, net</b>	<b>2,825,235</b>	<b>86,886</b>	<b>61,892</b>	<b>11,357</b>	<b>16,714</b>	<b>256</b>	<b>309</b>	<b>3,002,649</b>
<b>Securities portfolio, net</b>	<b>1,070,961</b>	<b>187,263</b>	—	<b>72,608</b>	—	—	—	<b>1,330,832</b>
<b>Total</b>	<b>4,234,575</b>	<b>451,068</b>	<b>62,759</b>	<b>162,793</b>	<b>17,568</b>	<b>19,177</b>	<b>21,760</b>	<b>4,969,700</b>
<b>Liabilities</b>								
<b>ANIF</b>	<b>58,614</b>	—	—	—	—	—	—	<b>58,614</b>
<b>Banks and lending institutions</b>	<b>3,036</b>	<b>3,393</b>	<b>10,310</b>	<b>7,926</b>	<b>13,441</b>	—	<b>52</b>	<b>38,158</b>
<b>Other financial intermediaries</b>	—	—	—	—	—	—	—	—
<b>Customer deposits</b>	<b>3,670,667</b>	<b>471,471</b>	<b>31,271</b>	<b>155,079</b>	<b>4,147</b>	<b>19,121</b>	<b>21,993</b>	<b>4,373,749</b>
<b>Bonds issued</b>	<b>71,991</b>	<b>215</b>	—	—	—	—	—	<b>72,206</b>
<b>Total</b>	<b>3,804,308</b>	<b>475,079</b>	<b>41,581</b>	<b>163,005</b>	<b>17,588</b>	<b>19,121</b>	<b>22,045</b>	<b>4,542,727</b>

#### 4.3 Bonds issued

The Bank has different financing programmes and instruments to appropriately plan the management of liquidity. Within these programmes, the Bank used both short-term and long-term structured products, channelled through securities.

All the bonds issued have been sold to the Bank's customers.

The movement in the years 2010 and 2009 was as follows:

	2010	2009
<b>Opening balance for the year</b>	<b>72,206</b>	<b>83,504</b>
Issues	115,692	59,076
Amortization	-51,268	-70,374
Valuation adjustments	697	0
<b>Closing balance for the year</b>	<b>137,327</b>	<b>72,206</b>

### Note 5 Loan investments and financial intermediaries

#### 5.1 Analysis of loan investments and financial intermediaries

The evaluation of loan investments and financial intermediaries with regard to minimum legal requirements and internal criteria, according to the breakdown as at December 31, 2010 and 2009 (in thousand euros), is set out as follows:

2010	Normal	Past due	Doubtful	Total	Insolvency provision	Net amount
Financial intermediaries, at sight	273,317	—	—	273,317	—	273,317
Due from banks on time deposit	143,397	—	—	143,397	-777	142,620
<b>Total financial intermediaries</b>	<b>416,714</b>	<b>—</b>	<b>—</b>	<b>416,714</b>	<b>-777</b>	<b>415,937</b>
Customer loans and credits	2,912,291	50,577	94,297	3,057,165	-22,893	3,034,272
Overdrafts on customer accounts	26,892	4,840	4,276	36,008	-2,021	33,987
Customer bills discounted	16,522	—	—	16,522	-165	16,357
<b>Loan investments - customers</b>	<b>2,955,705</b>	<b>55,417</b>	<b>98,573</b>	<b>3,109,695</b>	<b>-25,079</b>	<b>3,084,616</b>

<b>2009</b>	Normal	Past due	Doubtful	Total	Insolvency provision	Net amount
Financial intermediaries, at sight	88,669	—	—	88,669	—	88,669
Due from banks on time deposit	503,824	—	—	503,824	-2,519	501,305
<b>Total financial intermediaries</b>	<b>592,493</b>	<b>—</b>	<b>—</b>	<b>592,493</b>	<b>-2,519</b>	<b>589,974</b>
Customer loans and credits	2,782,058	30,150	44,265	2,856,473	-24,620	2,831,853
Overdrafts on customer accounts	141,753	674	4,883	147,310	-2,607	144,703
Customer bills discounted	23,258	3,101	21	26,380	-287	26,093
<b>Loan investments - customers</b>	<b>2,947,069</b>	<b>33,925</b>	<b>49,169</b>	<b>3,030,163</b>	<b>-27,514</b>	<b>3,002,649</b>

## 5.2 Provision for insolvencies

Movements in provision for insolvencies of forward financial intermediaries and loan investments during 2010 and 2009 (in thousand euros) were as follows:

<b>2010</b>	Opening balance	Allocations / (Recoveries)	Amounts applied	Other movements	Closing balance
<b>Financial intermediaries</b>					
Provision banks on time deposit	2,519	-1,803	—	61	777
<b>Loan investments</b>					
Specific loan investment provisions	17,787	17,969	-20,353	224	15,627
General loan investment provisions	9,727	-397	—	122	9,452
<b>Total loan investment provisions</b>	<b>27,514</b>	<b>17,572</b>	<b>-20,353</b>	<b>346</b>	<b>25,079</b>
<b>Total provisions</b>	<b>30,033</b>	<b>15,769</b>	<b>-20,353</b>	<b>407</b>	<b>25,856</b>
<b>2009</b>					
<b>Financial intermediaries</b>					
Provision banks on time deposit	7,754	-5,348	—	113	2,519
<b>Loan investments</b>					
Specific loan investment provisions	9,721	12,344	-4,307	29	17,787
General loan investment provisions	10,778	-1,046	—	-5	9,727
<b>Total loan investment provisions</b>	<b>20,499</b>	<b>11,298</b>	<b>-4,307</b>	<b>24</b>	<b>27,514</b>
<b>Total provisions</b>	<b>28,253</b>	<b>5,950</b>	<b>-4,307</b>	<b>137</b>	<b>30,033</b>

At December 31, 2010, the Group had an NPL coverage ratio of 25.44% (55.96% in 2009) for loans not secured by mortgage collateral and 110.56% (116.16% in 2009) for loans secured by mortgage collateral.

### 5.3 Collateral security for loan investment

Collateral security obtained for loan investments as at December 31, 2010 and 2009 (in thousand euros) is broken down as follows:

2010	Cash deposits	Securities	Mortgages	Total secured	Unsecured	Total
<b>Loan investments, gross</b>						
Customer loans and credits	65,725	246,529	1,837,980	2,150,234	906,931	3,057,165
Overdrafts on customer accounts	—	—	—	—	36,008	36,008
Customer bills discounted	—	—	—	—	16,522	16,522
<b>Total security for loan investments</b>	<b>65,725</b>	<b>246,529</b>	<b>1,837,980</b>	<b>2,150,234</b>	<b>959,461</b>	<b>3,109,695</b>

  

2009	Cash deposits	Securities	Mortgages	Total secured	Unsecured	Total
<b>Loan investments, gross</b>						
Customer loans and credits	59,802	251,169	1,812,950	2,123,921	732,552	2,856,473
Overdrafts on customer accounts	—	—	—	—	147,310	147,310
Customer bills discounted	—	—	—	—	26,380	26,380
<b>Total security for loan investments</b>	<b>59,802</b>	<b>251,169</b>	<b>1,812,950</b>	<b>2,123,921</b>	<b>906,242</b>	<b>3,030,163</b>

At December 31, 2010, the heading “Customer loans and credits” included housing loans that, according to current legislation, were granted for a total of 446 thousand euros (589 thousand euros in 2009) (see note 19.3). There were also loans granted within a programme classified as of national and social interest, aimed at the preferential funding of newly created firms and businesses, firms related to innovation, reconversion and enterprising projects, passed by the government of Andorra on March 3, 2010, for a total of 378 thousand euros (see note 19.3).

With the investment fund managed by the Bank, loan investment at December 31, 2010 totalled 68,515 thousand euros (73,865 thousand euros in 2009).

Given that appraisals are being carried out and no valuation is available carried out by an independent professional, pursuant to ANIF memorandum 198/10 of December 31, 2010, the Group has 151,983 thousand euros of mortgage loans classified as not secured by property (see note 3.5).

### 5.4 Loan investments to the public sector

Breakdown of loan investments to public sector entities as at December 31, 2010 and 2009 (in thousand euros):

	2010	2009
<b>Loan investments to the public sector</b>		
Loans secured by the state of Andorra	57,729	138,165
Loans on counties in the Principality of Andorra	88,526	87,209
Other Andorran public bodies and para-public entities	62,357	65,883
<b>Total</b>	<b>208,612</b>	<b>291,257</b>

The balance of “Other Andorran public bodies and para-public entities” basically corresponds to the loan operation between the Bank and the para-public society, Centre de Tractament de Residus d’Andorra SA.

The Bank calculates a general provision of 1% of the total balance of these loan operations to the public sector (see note 3.5).

## Note 6 Securities portfolio

### 6.1 Holdings in Group companies

The Group has direct holdings in the following Group companies, consolidated according to the equity method (in thousand euros), at December 31, 2010 and 2009:

2010	Domicile	Activity	% holding	Capital	Equity	2010 Earnings	Dividends paid out	Book value
Crèdit Assegurances	Andorra	Insurance	100%	4,000	32,222	5,249	—	32,222
								<b>32,222</b>
2009	Domicile	Activity	% holding	Capital	Equity	2009 Earnings	Dividends paid out	Book value
Crèdit Assegurances	Andorra	Insurance	100%	4,000	27,035	4,846	—	27,035
Water Stone SA	Uruguay	Services	50%	273	273	—	—	273
								<b>27,308</b>

The corporate purpose of **Crèdit Assegurances SAU**, parent company of the subgroup Crèdit Assegurances, is to carry out insurance actions and cover risks based on contracts of private law, including the life assurance branch in any of its types. It comes under the legal provisions established in the Act governing the actions of insurance companies of the Principality of Andorra, dated May 11, 1989. Its sole shareholder is Crèdit Andorrà SA.

At December 31, 2010, the subgroup Crèdit Assegurances included the Spanish company ERM SA (76%) and the Andorran companies Vincles SA (100%), Actiu Assegurances SA (55%), Financiera d’Assegurances SA (24.55%), Línia Asseguradora Andorrana SL (12.52%), Consell Assegurador SL (19.64%) and Patrigest Informació Financiera SL (100%).

This holding in Crèdit Assegurances SAU has been consolidated by the equity method as the insurance activity is deemed to be different from banking.

## 6.2 Other investments and qualified holdings

The Group had the following direct “Other investments” and “Qualified holdings” as at December 31, 2010 and 2009 (in thousand euros):

2010									
	Domicile	Consolidation process	Activity	% holding	Capital	Equity	Earnings	Dividends paid out	Net book value
<b>Other investments (*)</b>									
Esports de Neu Soldeu-Incles SA (ENSISA)	Andorra	Equity method	Snow-sports services	49.57%	23,385	35,284	-1,273	372	17,305
Other (**)	Andorra	Equity method	Services	—	1,675	1,337	-342	—	527
									<b>17,831</b>
<b>Qualified holdings (*)</b>									
SEMTEE SA	Andorra		Services	17.05%	25,242	38,333	2,266	—	4,633
Other (***)				—	6,083	14,889	1,054	972	9,367
									<b>15,082</b>

(\*) Latest financial statements available.

(\*\*) Includes direct holdings Seguriser SA, Administració i Serveis SL.

(\*\*\*) Includes indirect holdings SPA SA, Clige SA and Naturtec SA.

2009									
	Domicile	Consolidation process	Activity	% holding	Capital	Equity	Earnings	Dividends paid out	Net book value
<b>Other investments (*)</b>									
Esports de Neu Soldeu-Incles SA (ENSISA)	Andorra	Equity method	Snow-sports services	49.57%	23,385	36,557	-2,078	—	18,120
Other (**)	Andorra	Equity method	Services	—	1,618	17,635	140	—	5,127
									<b>23,247</b>
<b>Qualified holdings (*)</b>									
SEMTEE SA	Andorra		Services	17.05%	25,242	36,159	2,532	—	4,633
Other				—	156	15,157	-330	300	7,025
									<b>11,658</b>

(\*) Latest financial statements available.

(\*\*) Includes Seguriser SA, Administració i Serveis SL, SPI SA, SPA SA, Clige SA and Naturtec SA, the latter without book value.

“Other investments” are consolidated by the equity method (see note 6.1).

Esports de Neu Soldeu-Incles SA (ENSISA) manages the ski resort Soldeu-El Tarter, at Canillo (Andorra), and also owns 50% of Neus de Valira SA (Nevasa), an Andorran company whose purpose is the commercialization of “Grandvalira”.

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.

Qualified holdings in a company are those in which the entity holds, directly or indirectly, at least 5% of its capital or of its voting rights, or in which the entity can appoint, directly or indirectly, at least 20% of the members of the Board of Directors of the company or in which the entity exercises significant influence. Significant influence is understood as participation in the financial and operational decisions of a company, although these may not be controlled, and this may be exercised in various ways, usually via representation on the governing body, with participation in the process of establishing policies, important transactions, changing directors or technological dependence. Significant influence can be secured via participation in ownership or via agreements. It is assumed that significant influence is exercised when the holding company holds, directly or indirectly, more than 20% of the voting rights or of the capital of the investee company or 3% if listed on regulated markets.

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

SEMTEE SA (Societat d'Economia Mixta Termolúdic Escaldes-Engordany) manages the thermal water centre Caldea, located at Escaldes (Andorra).

On February 10, with a prior request to the ANIF, the latter exceptionally authorized to increase the holding of the subsidiary Crèdit Iniciatives SA in the share capital of the company NATURA i TECNOLOGIA INDÚSTRIES SA, given the financial situation of the company, with a negative shareholder equity in excess of six million euros and most of whose credit operations had been granted by the Bank, up to 53.45% (4,542 thousand euros), as well as to take a direct part in its management. This authorization is temporary in nature and must be reduced to a maximum of 25% within a maximum period of two years.

In 2010, dividends brought into account from "Other investments" and "Qualified holdings" totalled 413 thousand euros (2009: 49 thousand euros).

### 6.3 Investment funds

A breakdown of holdings in investment funds at December 31, 2010 and 2009 is as follows (in thousand euros):

	2010	2009
<b>Investment funds managed by:</b>		
Group-related entities	6,572	7,759
Entities not related to the Group	33,842	1,931
	<b>40,414</b>	<b>9,690</b>

The balance at December 31, 2010 of the investment funds managed by entities not related to the Group includes 33,100 thousand euros corresponding to holdings of venture capital firms, the risks and profits of which have been acquired by the Bank's customers by taking out structured products (see note 4.3).

#### 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, 2010 and 2009 is given below (in thousand euros):

	2010	2009
Trading portfolio:		
Fixed income instruments	11	16
Equity instruments	—	—
Held-to-maturity portfolio	1,117,244	1,250,962
Permanent investments	50,053	50,555
Investment funds	40,525	9,690
Ordinary investment portfolio:		
Fixed-income instruments	13,226	8,181
Equity instruments	16,243	14,844
<b>Total</b>	<b>1,237,302</b>	<b>1,334,248</b>
	<b>2010</b>	<b>2009</b>
Listed securities	684,466	811,804
Unlisted securities	552,836	522,444
	<b>1,237,302</b>	<b>1,334,248</b>
Market fluctuation fund	-169	-2,114
Provision for insolvencies	-1,279	-1,302
<b>Total</b>	<b>1,235,854</b>	<b>1,330,832</b>

The held-to-maturity portfolio is principally made up of issues of government bonds from OECD countries and other bonds and fixed-income securities issued by banks with a public guarantee, as well as structured products with capital secured against underlying government bonds from OECD countries.

The acquisition cost of instruments in the trading portfolio as at December 31, 2010 was 12 thousand euros (16 thousand euros in 2009), which correspond to listed securities.

As at December 31, 2010, the market value of the held-to-maturity portfolio was 1,058,410 thousand euros (1,208,191 thousand euros in 2009), of which 677,518 thousand euros was for listed securities while the rest, 380,892 thousand euros, was securities valued as per the model or unlisted.

Pursuant to the Act governing mandatory investment ratios (see note 19.3), as at December 31, 2010 the Group had subscribed 103,430 thousand euros to government bonds of the Principality of Andorra, issued on December 30, 2009. This bond issue matures on December 31, 2013, at the official one-year Euribor interest rate of the European Central Bank, established on the first working day of each year. The amount subscribed by the Group is recorded under the heading “Securities portfolio – Bonds and other fixed-income securities” in the consolidated balance sheet included here, within the held-to-maturity portfolio, as an unlisted security and not included in the calculation of the liquidity ratio.

The market value of the ordinary investment portfolio held in fixed-interest instruments as at December 31, 2010 was 13,245 thousand euros (8,208 thousand euros in 2009), all of which corresponds to unlisted securities and where the market value is estimated according to the accounting principles and valuation criteria mentioned in note 3.6.

The market value of the ordinary investment portfolio held in equity shares as at December 31, 2010 was 18,473 thousand euros (14,346 thousand euros in 2009).

## 6.5 Provision for market fluctuation

Movements in provision for market fluctuation in 2010 and 2009 (in thousand euros) were as follows:

2010	Opening balance	Allocations	Amounts applied	Other movements	Closing balance
<b>Securities portfolio</b>					
Bonds and other fixed-income instruments	5	37	—	5	47
Other holdings	—	—	—	—	—
Shares and other equity instruments	2,109	-2,098	—	—	11
Investment funds	—	111	—	—	111
<b>Total movements for year</b>	<b>2,114</b>	<b>-1,950</b>	<b>—</b>	<b>5</b>	<b>169</b>

2009	Opening balance	Allocations	Amounts applied	Other movements	Closing balance
<b>Securities portfolio</b>					
Bonds and other fixed-income instruments	—	—	—	5	5
Other holdings	—	—	—	—	—
Shares and other equity instruments	2,143	-38	—	4	2,109
Investment funds	—	—	—	—	—
<b>Total movements for year</b>	<b>2,143</b>	<b>-38</b>	<b>—</b>	<b>9</b>	<b>2,114</b>

The Bank has a general provision fund for insolvencies whose details are as follows:

2010	Opening balance	Allocations / Recoveries	Amounts applied	Other movements	Closing balance
<b>Securities portfolio</b>					
Bonds and other fixed-income instruments	1,302	-38	—	15	1,279
<b>2009</b>					
<b>Securities portfolio</b>					
Bonds and other fixed-income instruments	2,654	-1,334	—	-18	1,302

## Note 7 Fixed assets

### 7.1 Intangible assets and amortizable expenses

The movements in intangible assets and amortizable expenses for last year were as follows (in thousand euros):

<b>Acquisition cost</b>	<b>31.12.09</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers / Other</b>	<b>31.12.10</b>
Goodwill	—	—	—	—	—
IT applications	49,275	3,134	-18,571	22,558	56,396
Amortizable expenses	13,142	3,973	-1,881	—	15,234
<b>Total intangible assets</b>	<b>62,417</b>	<b>7,107</b>	<b>-20,452</b>	<b>22,558</b>	<b>71,630</b>
<b>Provision for depreciation</b>					
Goodwill	—	—	—	—	—
IT applications	-37,393	-6,729	18,571	-1	-25,552
Amortizable expenses	-3,442	-3,422	1,881	—	-4,983
<b>Total provision for depreciation</b>	<b>-40,835</b>	<b>-10,151</b>	<b>20,452</b>	<b>-1</b>	<b>-30,535</b>
<b>Total, net</b>	<b>21,582</b>	<b>-3,044</b>	<b>—</b>	<b>22,557</b>	<b>41,095</b>

The additions and transfers of IT applications correspond to the new IT platform. This project, started in the second quarter of 2008, aims to adapt the Bank even further to the changes and constant technological innovation in the industry. The retirements correspond mainly to the replacement of the old IT system.

## 7.2 Fixed assets

The movements in fixed assets for 2010 were as follows (in thousand euros):

Acquisition cost	31.12.09	Additions	Retirements	Transfers / Other	31.12.10
<b>Working fixed assets</b>					
Land	52,204	—	—	—	52,204
Buildings	75,023	2,234	-668	—	76,589
Installations	65,419	2,514	—	—	67,933
Furniture	17,030	373	—	—	17,403
IT equipment	28,269	1,120	-14,284	547	15,652
Vehicles	490	9	—	—	499
Fixed assets in progress	15,363	7,742	—	-23,105	—
<b>Subtotal</b>	<b>253,798</b>	<b>13,992</b>	<b>-14,952</b>	<b>-22,558</b>	<b>230,280</b>
<b>Non-working fixed assets</b>					
Land	103,253	28,264	-1,059	—	130,458
Buildings	37,764	1,464	-3,380	—	35,848
Art funds	6,242	250	—	—	6,492
<b>Subtotal</b>	<b>147,259</b>	<b>29,978</b>	<b>-4,439</b>	<b>—</b>	<b>172,798</b>
<b>Total fixed assets</b>	<b>401,057</b>	<b>43,970</b>	<b>-19,391</b>	<b>-22,558</b>	<b>403,078</b>
<b>Provision for depreciation</b>					
<b>Working fixed assets</b>					
Buildings	-34,160	-2,241	95	398	-35,908
Installations	-40,923	-4,249	—	-2	-45,174
Furniture	-15,596	-1,301	—	—	-16,897
IT equipment	-24,760	-1,885	14,284	-4	-12,365
Vehicles	-362	-65	—	4	-423
Other	—	—	—	—	—
<b>Subtotal</b>	<b>-115,801</b>	<b>-9,741</b>	<b>14,379</b>	<b>396</b>	<b>-110,767</b>
<b>Non-working fixed assets</b>					
Buildings	-6,123	-964	93	260	-6,734
Other	-75	—	—	—	-75
<b>Subtotal</b>	<b>-6,198</b>	<b>-964</b>	<b>93</b>	<b>260</b>	<b>-6,809</b>
<b>Total provision for depreciation</b>	<b>-121,999</b>	<b>-10,705</b>	<b>14,472</b>	<b>656</b>	<b>-117,576</b>
Provisions for depreciation	-285	-6,465	—	—	-6,750
<b>Total fixed assets, net</b>	<b>278,773</b>	<b>26,800</b>	<b>-4,919</b>	<b>-21,902</b>	<b>278,752</b>

With regard to the transfers under “Fixed assets in progress”, these correspond to the start-up, during the second quarter of 2010, of the new IT platform. However, the retirements recorded under the heading “IT equipment” correspond to the replacement of the old IT equipment (see notes 3.7 and 7.1).

Of the total of additions under the heading “Provisions for depreciation”, 6,256 thousand euros correspond to the depreciation of non-working fixed assets that were revalued in 2008 (see note 11).

Land and buildings classified as non-working fixed assets are largely made up of acquisitions carried out with the entity’s own funds; a total of 14,712 thousand euros is granted in rent to third parties.

Of the total additions under “Non-working fixed assets”, 28,720 thousand euros correspond to property acquired by the Bank in allocations or assignments of goods or effects in payment of debt during 2010 (see note 5.2).

The total retirements of non-working assets, 4,439 thousand euros, correspond to sales of land and property acquired by the Bank by a process of repossession or *datio in solutum* of assets in lieu of payment of a debt.

As at December 31, 2010, there were no buildings not available for sale.

The fully depreciated fixed assets as at December 31, 2010 totalled 73,517 thousand euros (97,954 thousand euros in 2009).

## Note 8 Provision for risks and contingencies

Movements in provision for risks and contingencies in 2010 and 2009 (in thousand euros) are given below:

<b>2010</b>	<b>Opening balance</b>	<b>Allocation</b>	<b>Recoveries</b>	<b>Amounts applied</b>	<b>Other movements</b>	<b>Closing balance</b>
Provision for contingent liabilities	308	1,191	—	—	26	1,525
Other provisions	2,399	107	—	-649	—	1,857
	<b>2,707</b>	<b>1,298</b>	<b>—</b>	<b>-649</b>	<b>26</b>	<b>3,382</b>

  

<b>2009</b>	<b>Opening balance</b>	<b>Allocation</b>	<b>Recoveries</b>	<b>Amounts applied</b>	<b>Other movements</b>	<b>Closing balance</b>
Provision for contingent liabilities	392	—	-84	—	—	308
Other provisions	2,350	708	—	-659	—	2,399
	<b>2,742</b>	<b>708</b>	<b>-84</b>	<b>-659</b>	<b>—</b>	<b>2,707</b>

“Other provisions” includes the necessary provisions resulting from early retirement commitments as at December 31, 2010 and 2009.

## Note 9 Pension fund and other funds

At December 31, 2010, obligations with all Crèdit Andorrà employees and their beneficiaries related to such contingencies as retirement, death and incapacity, are outsourced to a Mutual Fund of benefits and aid for the employees of Crèdit Andorrà (hereinafter “the Fund”), a separate economic asset without legal personality that was set up in September 1962 in order to administrate and manage the financial resources of its members to ensure the payment of benefits established by the Mutual Fund Regulations, approved by the Assembly of Mutual Fund Members at its meeting on December 21, 1999 and revised on October 23, 2006.

The management and administration of the Fund is delegated to the Private Company Benefit Foundation of Employees of Crèdit Andorrà (Previfun), whose executive body is its board of trustees.

On October 23, 2006, Crèdit Andorrà SA and the abovementioned Foundation established the specific contributions, of a compulsory nature, which both Crèdit Andorrà and the employees themselves would make every year, with contributions from the former totalling 2,603 thousand euros for 2010 (2,220 thousand euros in 2009).

Voluntary contributions to the Employees Fund (Previfun) amounted to 500 thousand euros (750 thousand euros in 2009).

## Note 10 Distribution of profits

The proposed distribution of profits of Crèdit Andorrà SA for the year 2010 to be presented by the Board of Directors to the General Shareholders' Meeting for approval (in thousand euros) is as follows:

	2010	2009
<b>Group profits for the year</b>	<b>77,816</b>	<b>76,655</b>
Profits awaiting application	—	—
Consolidation adjustments:		
For dividends	619	1,327
For other (net)	-3,287	-2,766
<b>Profit available for distribution from the Bank</b>	<b>75,148</b>	<b>75,216</b>
Dividend payments	-70,000	-70,000
Transfer to legal reserve	—	—
Transfer to reserves	-5,148	-5,216
<b>Profits awaiting application</b>	<b>—</b>	<b>—</b>

During 2010, Crèdit Andorrà SA distributed interim dividends of 35,000 thousand euros (35,000 thousand euros in 2009).

The profit from the Group's consolidated companies will be distributed in the manner agreed by their respective Shareholders' Meetings.

## Note 11 Movements in shareholders' equity

In 2010 and 2009, the following movements (in thousand euros) took place in Shareholders' Equity:

2010	Share capital	Legal reserve	Guarantee reserve	Revaluation reserve	Voluntary reserve	Consolidation reserve	Retained earnings carried forward	Profit	Total
<b>Balance at beginning of year before distribution</b>	<b>70,000</b>	<b>14,000</b>	<b>33,063</b>	<b>115,562</b>	<b>273,164</b>	<b>37,466</b>	—	<b>41,655</b>	<b>584,910</b>
Supplementary dividend	—	—	—	—	—	—	—	-35,000	-35,000
Application of 2009 profits / transfer to reserves	—	—	—	—	5,216	—	—	-5,216	—
Consolidation adjustments	—	—	—	—	—	—	—	-1,439	-1,439
Extraordinary contribution to Crèdit Andorrà Foundation allocation fund	—	—	—	—	—	—	—	—	—
<b>Balance at beginning of year following distribution</b>	<b>70,000</b>	<b>14,000</b>	<b>33,063</b>	<b>115,562</b>	<b>278,380</b>	<b>37,466</b>	—	—	<b>548,471</b>
Profits for 2010	—	—	—	—	—	—	—	77,816	77,816
Interim dividend 2010	—	—	—	—	—	—	—	-35,000	-35,000
Extraordinary dividend	—	—	—	—	-70,000	—	—	—	-70,000
Provision for amortization	—	—	—	-6,256	—	—	—	—	-6,256
Consolidation reserves	—	—	—	—	—	2,309	—	—	2,309
<b>Total</b>	<b>70,000</b>	<b>14,000</b>	<b>33,063</b>	<b>109,306</b>	<b>208,380</b>	<b>39,775</b>	—	<b>42,816</b>	<b>517,340</b>

**2009**

	Share capital	Legal reserve	Guarantee reserve	Revaluation reserve	Voluntary reserve	Consolidation reserve	Retained earnings carried forward	Profit	Total
<b>Balance at beginning of year before distribution</b>	<b>70,000</b>	<b>7,000</b>	<b>33,063</b>	<b>115,562</b>	<b>377,850</b>	<b>31,915</b>	—	<b>50,005</b>	<b>685,395</b>
Supplementary dividend	—	—	—	—	—	—	—	-35,000	-35,000
Application of 2008 profits / transfer to reserves	—	7,000	—	—	2,931	—	—	-9,931	—
Consolidation adjustments	—	—	—	—	—	—	—	-4,574	-4,574
Extraordinary contribution to Crèdit Andorrà Foundation allocation fund	—	—	—	—	—	—	—	-500	-500
<b>Balance at beginning of year following distribution</b>	<b>70,000</b>	<b>14,000</b>	<b>33,063</b>	<b>115,562</b>	<b>380,781</b>	<b>31,915</b>	—	—	<b>645,321</b>
Profits for 2009	—	—	—	—	—	—	—	76,655	76,655
Interim dividend 2009	—	—	—	—	—	—	—	-35,000	-35,000
Amortization of goodwill charged to 2009 profit (consolidation adjustment) (notes 3.7 and 7.1)	—	—	—	—	-107,617	—	—	—	-107,617
Consolidation reserves	—	—	—	—	—	5,551	—	—	5,551
<b>Total</b>	<b>70,000</b>	<b>14,000</b>	<b>33,063</b>	<b>115,562</b>	<b>273,164</b>	<b>37,466</b>	—	<b>41,655</b>	<b>584,910</b>

**Share capital**

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

**Legal reserve**

In compliance with the Act governing companies passed by the General Council on October 18, 2007, a legal reserve must be established of a minimum of 10% of the profit until 20% of the share capital has been reached. At 31 December, 2010, the Bank had this reserve totally set up.

**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 (33,063 thousand euros in 2009). This reserve cannot be distributed (see note 19.3).

**Voluntary reserves**

These reserves correspond to profits from previous years that have not been distributed by the General Shareholders’ Meeting.

Pursuant to article 23 of Act 20/2007 of October 18, on public limited companies (“societats anònimes” and “de responsabilitat limitada” in Catalan), the Bank has set up a non-available reserve for loans granted to certain shareholders in 2010, totalling 125,678 thousand euros.

As shown by the movement in share capital for 2010, on July 28, 2010 the Extraordinary General Shareholders’ Meeting of Crèdit Andorrà SA, on a proposal by the Board of Directors, approved the payment of an extraordinary dividend charged to the reserves totalling 70,000 thousand euros.

### Revaluation reserve

This reserve, which is unavailable, corresponds to two revaluations:

- The first, totalling 13,934 thousand euros, corresponds to revaluations of buildings for own use of property acquired or built before December 31, 1989.
- The second, totalling 101,628 thousand euros, corresponds to the revaluation authorised by the ANIF on June 12, 2008 of the land, building work and installations of working and non-working fixed assets.

At December 31, 2010, the Bank registered a provision of 6,256 thousand euros (see note 7.2). This amount includes the effect of certain non-working fixed assets that have lost their fair realized value since they were revalued, calculated according to updated valuations carried out by independent experts. This provision has been made by reducing the revaluation reserves in line with the applicable accounting practice at the time of revaluation.

### Consolidation reserves

The consolidation reserves correspond to accrued profits in previous years by Group companies forming part of the consolidation perimeter from the date of their acquisition or constitution up to December 31, 2010 that have not been distributed as dividends.

Consolidation reserves	31.12.2010	31.12.2009
Companies consolidated by the fully-integrated method	10,588	11,992
Companies consolidated by the equity method	29,187	25,474
	<b>39,775</b>	<b>37,466</b>

### Subordinated liabilities

On October 26, 2005, the ANIF Board of Governors agreed to authorise the issue of preference shares by Crèdit Andorrà SA Preference Ltd., to be accounted for as Tier 1 type regulatory capital of the Crèdit Andorrà SA Group.

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, with a maximum of 8%, adjusted 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 issued by Crèdit Andorrà Preference Ltd. amounting to an additional 50 million euros, given that the other components of the equity of Crèdit Andorrà SA continued to account for around 70% of the Group’s total shareholder equity. These preference shares are identical in nature to those of the first issue.

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.

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 from the ANIF, after a period of six years following it being paid up.

The variable coupon paid in the period from December 22, 2009 to December 22, 2010 was 3.698%.

This year, Fitch Ratings has maintained the BBB+ rating for this preference share issue.

#### Provision for general banking risks

The Group makes provision for general banking risks corresponding to funds allocated by the Bank for reasons of prudence, given the risks inherent in its banking activity.

The movements in 2010 and 2009 were as follows:

	2010	2009
<b>Opening balance for the year</b>	<b>40,855</b>	<b>53,281</b>
Allocation to fund	—	—
Recoveries	-17,581	-12,431
Other	-42	5
<b>Closing balance for the year</b>	<b>23,232</b>	<b>40,855</b>

## Note 12 Other balance sheet and profit and loss account items

Other significant items in the balance sheet and profit and loss account for the years ended December 31, 2010 and 2009 (in thousand euros) are shown below:

### 12.1 Asset accrual accounts

	2010	2009
Accrued interest	27,393	18,396
Commissions	19,065	10,353
Other	89	738
	<b>46,547</b>	<b>29,487</b>

Includes the accrued interest yet to mature on accounts with financial intermediaries, the securities portfolio and the loan portfolio of the Group. It also contains the accrued management commissions pending payment related to the investment funds managed by the Group, which will be paid at the beginning of 2011.

## 12.2 Liability accrual accounts

	2010	2009
Accrued expenses	15,474	13,375
Interest	11,962	9,465
Other	3,512	3,910
Before-due receipts	18,482	2,207
	<b>33,956</b>	<b>15,582</b>

Includes the accrued interest yet to mature on accounts at sight and on time deposits held by customers, as well as accrued expenses pending payment that are associated with various concepts, principally general expenses and personnel costs.

At December 31, 2010, the Group had recorded, under the heading “Before-due receipts”, the interest paid in advance for certain structured products, totalling 15,475 thousand euros.

## 12.3 Commissions for services

The details of these items in the profit and loss account (in thousand euros) are as follows:

	2010	2009
<b>Commissions on services supplied</b>		
For transactions with associated companies	—	—
For transactions with securities and other instruments to third parties	70,572	73,141
For loan transactions	7,951	6,786
For foreign exchange transactions	78	—
Other	19,694	12,089
Account administration and maintenance	14,672	7,949
Other	5,022	4,140
	<b>98,295</b>	<b>92,016</b>
<b>Commissions on services received</b>		
For transactions with associated companies	—	—
For transactions with financial intermediaries	-6,633	-7,504
Other	-2,814	-3,046
	<b>-9,447</b>	<b>-10,550</b>
<b>Net service commissions</b>	<b>88,848</b>	<b>81,466</b>

## 12.4 General expenses and taxes

The details of these items in the profit and loss account (in thousand euros) are as follows:

	2010	2009
<b>General expenses</b>		
Supplies	-490	-783
	<b>-490</b>	<b>-783</b>
<b>External services</b>		
Research and development	-162	-226
Leases	-1,213	-1,309
Repairs and conservation (maintenance)	-3,466	-2,258
Services from independent professionals	-6,930	-4,710
Fund security and transport services	-1,570	-1,627
Insurance premiums	-356	-331
Advertising and public relations	-2,376	-2,190
Utilities	-3,151	-2,278
Other	-4,526	-4,442
	<b>-23,750</b>	<b>-19,371</b>
<b>Taxes</b>		
Indirect taxes on banking services (ISI)	-16,396	-12,744
Other taxes	-2,834	-2,814
	<b>-19,230</b>	<b>-15,558</b>
	<b>-43,470</b>	<b>-35,712</b>

## 12.5 Extraordinary profit

The details of these items in the profit and loss account (in thousand euros) are as follows:

	2010	2009
Net profit (loss) from disposal of tangible and intangible assets	-135	1
Recovery provision for general banking risks (note 11)	17,581	12,431
Extraordinary profit	1,290	717
Extraordinary loss	-1,322	-3,953
	<b>17,414</b>	<b>9,196</b>

## Note 13 Net foreign currency positions

At the end of 2010 and 2009, the Group held the following significant foreign currency positions (in thousand euros):

2010	Assets	Liabilities	Net position
Euro	4,374,367	4,373,565	803
US dollar	551,133	551,670	-538
Swiss franc	72,820	72,905	-85
Pound sterling	149,909	149,950	-41
Japanese yen	22,860	22,863	-3
Canadian dollar	20,389	20,383	6
Other currencies	39,658	39,800	-142
	<b>5,231,136</b>	<b>5,231,136</b>	

  

2009	Assets	Liabilities	Net position
Euro	4,602,128	4,600,870	1,258
US dollar	453,429	476,327	-22,898
Swiss franc	84,481	63,074	21,407
Pound sterling	163,867	163,505	362
Japanese yen	17,656	17,589	67
Canadian dollar	19,290	19,236	54
Other currencies	22,229	22,479	-250
	<b>5,363,080</b>	<b>5,363,080</b>	

Exchange rates applied at year-end are those obtained from reliable market sources (see note 3.4).

## Note 14 Financial derivatives

### 14.1 Analysis of financial derivatives

At December 31, 2010 and 2009, the Group held the following positions in financial derivatives, not listed on organized markets (face value in thousand euros).

2010	Less than 1 year	From 1 to 5 years	More than 5 years	Total
<b>Firm transactions</b>				
Foreign exchange transactions	585,908	17,215	—	603,123
Interest rate swaps	23,930	82,917	459,632	566,479
Credit default swap	85,804	18,000	—	103,804
Futures	—	—	—	—
<b>Option transactions</b>				
Options	3,245	1,622	49,143	54,010
	<b>698,887</b>	<b>119,754</b>	<b>508,775</b>	<b>1,327,416</b>

<b>2009</b>	<b>Less than 1 year</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>Firm transactions</b>				
Foreign exchange transactions	708,516	—	—	708,516
Interest rate swaps	19,236	40,576	459,121	518,933
Credit default swap	40,000	10,000	—	50,000
Futures	—	—	—	—
<b>Option transactions</b>				
Options	—	6,083	96,053	102,136
	<b>767,752</b>	<b>56,659</b>	<b>555,174</b>	<b>1,379,585</b>

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 notes 3.11 and 14.2).

At December 31, 2010 and 2009 there were no transactions under contract in regulated 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 the 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**

At December 31, 2010, Crèdit Andorrà had on its books a total of 12,263 thousand euros (6,190 thousand euros in 2009) in guarantees required for futures transactions undertaken in regulated markets on account of third parties. It also had a total of 44,919 thousand euros on deposit with financial intermediaries as pledged assets as a guarantee for its own obligations (24,590 thousand euros in 2009).

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

Details follow of the operations with entities or persons related to the Group or with Group entities, which have not been consolidated by the fully-integrated method, and account for more than 10% of equity as shown in the balance sheet or 5% of the result for the year in the profit and loss account:

	2010					
	Shareholders	Board of Directors		General Management	Companies	Other related parties
		Shareholders	Non-shareholders			
<b>Individuals</b>	2	—	—	—	—	—
<b>Corporations</b>	—	—	—	—	—	—
<b>Balances</b>						
<b>Assets</b>	—	—	—	—	—	—
Loan investments, banks and lending institutions	184,709	—	—	—	—	—
Accrual accounts	—	—	—	—	—	—
<b>Liabilities</b>	—	—	—	—	—	—
Financial intermediaries	—	—	—	—	—	—
Time deposits	—	—	—	—	—	—
Accrual accounts	—	—	—	—	—	—
<b>Transactions with main shareholder</b>	—	—	—	—	—	—
Interest and income – assimilated	—	—	—	—	—	—
Interest and income – liable to assimilation	—	—	—	—	—	—
Other	—	—	—	—	—	—
<b>Off-balance-sheet records</b>	8,234	—	—	—	—	—

At December 31, 2010, there was no transaction with any shareholder or member of the Board of Directors and/or Executive Committee (non-shareholders) that, on an individual level, accounted for more than 10% of equity as shown in the balance sheet or 5% of the result for the year as shown in the profit and loss account.

At year-end there was one transaction with a shareholder that exceeds 10% of equity on the balance sheet (see note 11).

All transactions with entities and persons related to the Group are under market conditions.

## Note 17 Risk control and management

The management and control of risk has always been a priority objective of Crèdit Andorrà SA and, with this in mind, we have developed the necessary infrastructure, internal methods and controls. The Bank maintains a conservative profile in all its investments and activities.

Policy and limits on risks 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). Among other functions, this committee approves risk policies affecting the management of assets and liabilities of the entity and management mandates. The committee also 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 SA balance sheets. This committee also approves the methodologies employed, either in valuing assets or in the risk models implemented by the different activities and relevant factors, so that they can be measured, monitored and controlled.

The Assets, Liabilities and Risks Committee has also provided a global, integrating view of the risk resulting from the international expansion carried out by the Crèdit Andorrà Group.

All steps taken by this committee bear in mind the rules of ANIF, the Andorran national body that regulates, controls and supervises the country's financial activity and new regulatory trends, in compliance with the directives of the New Basle Capital Accord, which emphasises increasing awareness of risk and risk management.

For some years, and without putting aside conventional methods of risk control, Crèdit Andorrà SA has applied Value-at-Risk (VaR) methodology to 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 timescale 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 timescales 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.

For the securities portfolios as a whole, the average daily VaR, calculated at a 95% level of confidence, was 7,256.7 thousand euros, with a maximum and minimum of 10,868.0 thousand euros and 3,168.9 thousand euros respectively, compared with the authorised risk limit of 17 million euros.

An analysis of this report is supported by Backtesting tests. In 2010, Backtesting showed that both gains and losses, in some cases, were more volatile than expected statistically, due to the situations of high stress occurring in the financial markets. For investment portfolios as a whole, the daily VaR, with a 95% level of confidence, was exceeded by 2.4% of all cases throughout the year.



### **Management of credit risk**

At the end of 2010, of the total exposure to credit risk, interbank deposits accounted for 8.8%, the securities portfolio 26.1% while customer loans accounted for the remaining 65.1%.

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

At year-end, the loan VaR for the securities portfolio and interbank deposits was 16,215.9 thousand euros out of a total risk exposure of 1,309,611.8 thousand euros. This loan VaR is slightly below the risk limit of 22,000 thousand euros set by the Assets, Liabilities and Risks Committee. This loan VaR level would be equivalent to having a portfolio with an average rating of AA.

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 SA has traditionally paid particular 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.

Exposure to interest rate risk as a consequence of gaps between investment and financing is very limited. In fact, at the end of 2010, a displacement parallel to the interest rate curve of all currencies of 1% would have had an impact of less than 1.1% 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 specific management tools. The daily monitoring of this has been one of the entity's priorities.

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 709.2 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 and indirect loss caused by errors or omissions in processes, by persons and internal systems or by outside events.

Crèdit Andorrà SA continues to develop the organizational structure and to establish the capacities needed to ensure adaptation to the Basle Capital Accord insofar as this relates to the measurement and management of operational risk.

## Note 18 Other off-balance-sheet records

Details of the composition by type of security and other securities deposited and held in trust with third parties at year-end are set out below (in thousand euros):

	2010	2009
Equity instruments	1,411,224	1,237,152
Fixed income instruments	1,460,130	1,072,007
Parts of investment funds whose depository is not an Andorran bank	1,681,056	2,243,892
Other	263,469	327,656
	<b>4,815,879</b>	<b>4,880,707</b>

Details of “Other off-balance-sheet records” at year-end (in thousand euros) were as follows:

	2010	2009
Guarantees and obligations received	387,755	344,872
Unlisted own shares and those held in trust	557,962	273,448
Very doubtful loans	52,183	41,432
Pending products due, for doubtful securities	391	—
Other	163,112	74,796
	<b>1,161,403</b>	<b>734,548</b>

In compliance with explanatory memorandum 169/06 provided by the ANIF Accounting Plan of the Andorran Financial System, published on October 12, 2006, in “Clause V. Other off-balance-sheet records with functions exclusively related to administrative control”, bonds issued by the government of Andorra are recorded under “Unlisted own shares” and shares of Crèdit Andorrà SA, shown at face value, are recorded as “Those held in trust”.

The “Other” heading includes the securities managed by Group companies and held in custody by third parties; as at December 31, 2010, the balance for this concept was 163,112 thousand euros (74,796 thousand euros in 2009).

## Note 19 Compliance with regulations

### 19.1 Act governing the solvency and liquidity criteria of financial entities

At its session held on February 29, 1996, the General Council of the Principality of Andorra passed the Act governing the solvency and liquidity criteria of financial entities (hereinafter “the Act”).

In accordance with this Act, the Group must maintain an ordered financial structure to ensure its capacity to meet its obligations. This capacity can be observed essentially from a dual perspective: on the one hand, by quantifying the sufficiency of its equity (solvency ratio); on the other, by means of a suitable period of time between the maturities of obligations and the availability of investments (liquidity ratio). The Crèdit Andorrà Group must maintain specific ratios with regard to quantitative measurement of the amounts of assets, liabilities and certain off-balance-sheet records calculated under accounting criteria, as well as qualitative options on the various components, valuation of risk and other factors.

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

The requirements regarding minimum equity are calculated according to the Group’s exposure to credit risk (depending on the assets, commitments and other off-balance-sheet records with this risk, in terms of their amounts, characteristics, counterparts, guarantees, etc.), to counterparty risk and the position and liquidation of the trading portfolio, to exchange risk and the position in gold (according to the overall net position in currency and net position in gold) and to commodity risk.

Below are details of the adjusted consolidated equity as at December 31, 2010 and 2009 and the corresponding solvency and liquidity ratios in comparison with the aforementioned legal requirements:

	<b>31.12.2010</b>	<b>31.12.2009</b>
Capital and reserves	373,034	434,348
Preferred shares	150,000	150,000
Provision for general banking risks	23,232	40,855
Intangible assets	-41,095	-21,582
<b>Tier 1</b>	<b>505,171</b>	<b>603,621</b>
Revaluation reserve	109,306	115,562
General provision loan investment banks	777	2,519
<b>Tier 2</b>	<b>110,083</b>	<b>118,081</b>
<b>Total adjusted equity</b>	<b>615,254</b>	<b>721,702</b>
<b>Risk-adjusted assets</b>	<b>3,271,056</b>	<b>3,077,755</b>
<b>Tier 1 (%)</b>	<b>15.44%</b>	<b>19.61%</b>
<b>Tier 2 (%)</b>	<b>3.37%</b>	<b>3.84%</b>
<b>Solvency ratio (%)</b>	<b>18.81%</b>	<b>23.45%</b>

	Bank's current ratio		Legal minimum ratio
	2010	2009	
Solvency ratio	18.81%	23.45%	10%
Liquidity ratio	54.68%	71.06%	40%

It should be noted that the calculation of the solvency ratio is carried out according to ANIF Memorandum no. 159/04 on Equity Requirements. This memorandum, which is technically binding, complements the Act governing the solvency and liquidity criteria of financial entities of February 29, 1996, and is designed to foster greater security and stability in the Andorran financial system by incorporating the hedging of market risks.

The Act also limits the concentration of risks in favour of any one beneficiary to 20% of the Bank’s equity. It also establishes that the concentration of risks that individual exceeds 5% of equity cannot go beyond the limit of 400% of this equity. Similarly, the balances or transactions maintained with members of the Board of Directors cannot be above 15% of equity.

In 2010, the Group met the requirements set out in this Act. The highest concentration of risk in favour of any single beneficiary was 16.47% (16.7% in 2009) of the Group'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 108.24% (56.20% in 2009).

### **19.2 Act on international cooperation on crime and the fight against money or security laundering arising from international crime**

On July 24, 2001, the current Act on international cooperation on crime and the fight against money and security laundering arising from international crime came into force, replacing the previous Act protecting bank secrecy and preventing money or security laundering resulting from international crime, of 1995.

In compliance with this Act, the Bank has established a number of internal control and reporting procedures aimed at protecting bank secrecy and at foreseeing and preventing money laundering operations and the financing of terrorism. Specific training programmes have been carried out in this area.

At its session on December 11, 2008, the General Council of the Principality of Andorra passed the Act amending the Act on international cooperation on crime and the fight against money and security laundering arising from international crime. This amendment of Andorran legislation against laundering and against the financing of terrorism updates the previous Act, adapting it to international standards in this area and harmonizing it with the equivalent laws in Europe.

### **19.3 Act governing mandatory investment ratios**

At its session on June 30, 1994, the General Council of the Principality of Andorra passed the Act governing mandatory investment ratios. This Act obliges entities whose activities include receiving public deposits and which use these in granting loans and other investments to maintain an investment ratio in Andorran public funds.

On December 9, 2009, the Decree was passed that amends the Decree regulating the Act governing mandatory investment ratios of August 22, 1994, which obliges entities to maintain an investment ratio of 2% in public funds in their assets.

#### **Government bonds**

In compliance with this ratio, as at December 31, 2010, Crèdit Andorrà SA had subscribed 103,430 thousand euros to government bonds of the Principality of Andorra, issued on December 30, 2009 and maturing on December 31, 2013 at a one-year Euribor interest rate, established on the first working day of each year (103,430 thousand euros in 2009). This figure is recorded under the heading "Securities portfolio – Bonds and other fixed-income instruments" of the enclosed balance sheet (see note 6.4).

#### **Housing funding programme**

Also included in calculations as public funds are loans granted as part of a programme classified as of national and social interest, aimed at the preferential funding of housing, approved by the government of Andorra on April 26, 1995. As at December 31, 2010 and 2009, the loans granted under this programme amounted to 446 and 589 thousand euros, respectively, and they are recorded under the heading "Loan investments – Customer loans and credits" on the balance sheet. These loans accrue a fixed annual interest of 6% (see note 5.3).

#### **Programme aimed at the preferential funding of newly created firms and businesses, firms related to innovation, reconversion and enterprising projects**

Also included in calculations as public funds are loans granted as part of a programme classified as of national and social interest, aimed at the preferential funding of newly created firms and businesses, firms related to innovation, reconversion and enterprising projects, passed by the government of Andorra on March 3, 2010. The loans granted under this programme amounted to 378 thousand euros at December 31,

2010 and are recorded under the heading “Loan investments – Customer loans and credits” on the balance sheet. These loans accrue an annual interest equivalent to the one-year Euribor rate, with the government acting as guarantor (see note 5.3).

### Guarantee reserves

In its session on May 11, 1995, the General Council of the Principality of Andorra passed the Act governing the guarantee reserves for deposits and other operational bonds to be maintained and deposited by entities operating in the financial system. This Act makes it compulsory for entities involved in the Andorran financial system to maintain, among their permanent resources, minimum reserves of equity to guarantee their operational obligations of up to 4% of the entities’ total investments, after deducting investments made using shareholders’ equity or funds from financial institutions.

In its session on March 26, 2003, the government of Andorra passed a Decree regarding the conditions to be applied to deposits of guarantee reserves established by entities operating in the financial system, and the deposits that can be approved as public funds for the purposes of complying with the mandatory investment ratio established for banking entities. In accordance with this Decree, the effective percentage applied in calculating guarantee reserves to be provided by banking entities is 1.25% of the volume of investments made by the entity for all concepts, after deducting investments made using shareholders’ equity or funds from financial institutions. The net base to which the previously fixed percentage is applied is established based on the figures from the individual balance sheet of the entity as at December 31, 2002.

Consequently, the amount established by Crèdit Andorrà SA for this concept was 33,063 thousand euros.

In accordance with the aforementioned Act, entities involved in the Andorran financial system must mandatorily set up and maintain guarantee reserves deposited with the ANIF. Specifically, the Crèdit Andorrà SA Group has investments totalling 46,245 thousand euros, with 33,063 thousand euros from Crèdit Andorrà SA, 12,972 thousand euros in compliance with the commitments undertaken with the purchase of the banking entity CaixaBank SA in 2005, and 210 thousand euros from the investment fund management company Crediinvest SA.

In 2010 and 2009, the balance and return from these deposits (in thousand euros) was as follows:

<b>2010</b>			
<b>Mandatory investment</b>	<b>Deposit</b>	<b>Interest rate</b>	<b>Period</b>
Crèdit Andorrà SA	46,035	0.7470%	December 31, 2009 - December 31, 2010
Crediinvest SA	210	0.7470%	December 31, 2009 - December 31, 2010
	<b>46,245</b>		

  

<b>2009</b>			
<b>Mandatory investment</b>	<b>Deposit</b>	<b>Interest rate</b>	<b>Period</b>
Crèdit Andorrà SA	46,035	2.1475% 1.9250%	December 31, 2008 – February 27, 2009 February 27, 2009 – December 31, 2009
Crediinvest SA	210	2.1475% 1.9250%	December 31, 2008 – February 27, 2009 February 27, 2009 – December 31, 2009
	<b>46,245</b>		

#### **19.4 Act 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 provided for in Directive 2003/48/EC of the European Council on taxation of savings income in the form of interest payments. Also, at its session on June 13, 2005, it passed the Act to apply the abovementioned Agreement.

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

#### **19.5 Act 10/2008, of June 12, governing mutual funds under Andorran law**

On June 12, 2008, the General Council of the Principality of Andorra passed the Act governing mutual funds under Andorran law in order to establish criteria of transparency to ensure investors have enough information, as well as to establish the liabilities and obligations of entities involved in their management, deposit, administration and distribution and in all complementary services.

All mutual funds and entities to which the aforementioned Act applies had a period of one year from this Act coming into force, on July 16, 2008, to carry out the necessary adaptations and to apply for the corresponding ANIF registration of mutual funds under Andorran law or foreign mutual funds when managed or distributed in Andorra within the corresponding category and to enclose the documents required by this Act.

All collective investment undertakings managed by the Crèdit Andorrà Group and to which this Act applies were adapted within the time and in the manner established.

#### **19.6 Act 14/2010, of May 13, on the legal regime of banking institutions and the basic administrative regime of entities operating within the financial system**

On May 13, 2010, the General Council of the Principality of Andorra passed Act 14/10 on the legal regime of banking institutions and the basic administrative regime of entities operating within the financial system in order to maintain a structurally and functionally solid financial system. This annulled the Act in force on the basic administrative regime of banking institutions of June 30, 1998. Act 14/2010 contains the principles established in EU Directive 2004/39/EEC, of the European Parliament and the Council, of April 21, 2004, known as the MiFID (Markets in Financial Instruments Directive).

Like any other banking institution that was duly authorized at the time this Act came into force (June 10, 2011), the Bank has a period of one year to adapt to its provisions.

#### **19.7 Act 13/2010, of May 13, on the legal regime of financial investment institutions and collective investment management firms**

On May 13, 2010, the General Council of the Principality of Andorra passed Act 13/10 on the legal regime of financial investment institutions and collective investment management firms in order to make the Andorran financial system more secure. This Act contains the principles established in EU Directive 2004/39/EEC, of the European Parliament and the Council, of April 21, 2004, known as the MiFID (Markets in Financial Instruments Directive).

## Note 20 Significant events following year-end

On February 2, 2011, the General Council of the Principality of Andorra passed Act 1/2011 on creating a guarantee system for bank deposits to complement the mechanisms and protect the solidity and solvency of the Andorran financial system with regard to its depositors.

On February 8, 2011, the ANIF authorized the application by Crediinvest SA to increase its activities so that it can carry out the discretionary, individualized management of portfolios and provide advice on the area of investment.

## Note 21 Other matters of interest

### Crédit Andorrà Private Foundation

Crédit Andorrà SA established the Crédit Andorrà Private Foundation, by means of public deed dated December 15, 1987, for an indefinite period of time. The Foundation has its own legal identity, is of Andorran nationality and of a private nature. Pursuant to Act 11/2008, of June 12, this has been entered in the Foundation Register under number 7/2010.

This Foundation, which is a non-profit organization, aims to contribute to improving the quality of economic, cultural and social life in Andorra by taking on, programming, funding and carrying out specific goals. Among these goals, of particular note is the granting of study scholarships to those who deserve them in order to help them get 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 2010, and always with the aim of adapting its work to the needs of the country, the activities carried out by the Crédit Andorrà Private Foundation focused on three major areas: social programmes, particularly those aimed at the elderly and organizations dealing with the disabled; educational activities, particularly granting scholarships, and also cultural activities, dealing with pedagogical aspects and all those areas directly related to the country, its history and its natural environment.

### Legal context

As a result of the international financial and economic crisis starting in 2008, and with the clear desire to progress in terms of transparency related to financial activity, on September 7, 2009 the General Council of the Principality of Andorra passed Act 3/2009 on the exchange of information on fiscal matters with prior request, which contains the principles of the OECD Model Agreement on Exchange of Information in Tax Matters.

As of February 2011, Andorra has signed bilateral agreements with Germany, Austria, Liechtenstein, Monaco, San Marino, France, Belgium, Argentina, the Netherlands, Portugal, Spain, Denmark, Finland, Norway, Sweden, Iceland, Pharaoh Islands and Greenland (18 in total).

With these agreements signed, the Andorran state achieves the minimum 12 required to comply with the rules established by the OECD and joins the list of states cooperating in exchanging information on tax matters.

On December 29, 2010, the General Council passed Act 94/10 on the income tax for non-residents in tax terms to regulate income resulting from carrying out economic or employment activities in Andorra by those persons or entities not resident in tax terms, helping to achieve significant symmetry in the area of taxation and placing Andorra within the international context as a country with orthodox regulations that are comparable and can be standardized with those of other countries in its area, the European Union and the OECD. This Act will come into force on April 1, 2011.

On December 29, 2010, the General Council passed Act 95/10 on corporate tax as a complement to the mercantile and financial reforms carried out in order to align the Principality of Andorra's legal regulations with those of more

advanced countries. The introduction of this tax, which can be standardised with that of other countries, will allow the Principality of Andorra to sign agreements eliminating dual taxation with other states, as an instrument of tax policy and complying with the internationally defined standards of the OECD, and will help its firms to operate abroad and attract foreign investment to the Principality. This Act is applicable to the taxation periods starting as from the first calendar day of the tax year immediately following the date on which the Act on value added tax is published in the Official Gazette of the Principality of Andorra that replaces the indirect tax on goods, the indirect tax on the provision of business and professional services, the indirect tax on domestic production and the indirect tax on commercial activities, and for incomes accruing as from this date.

On December 29, 2010, the General Council passed Act 96/10 on the income tax from economic activities to regulate the profits obtained by residents when they have not adopted, in order to carry out their activities, the legal form of a company and to avoid discriminatory tax treatment between income obtained by companies and individuals. The tax is structured in accordance with internationally defined standards within the context of the OECD. This Act is applicable to the taxation periods starting as from the first calendar day of the tax year immediately following the date on which the Act on value added tax is published in the Official Gazette of the Principality of Andorra that replaces the indirect tax on goods, the indirect tax on the provision of business and professional services, the indirect tax on domestic production and the indirect tax on commercial activities, and for incomes accruing as from this date.

## **Note 22 English translation**

These consolidated financial statements are a free translation of the consolidated financial statements originally issued in Catalan. In the event of a discrepancy, the Catalan language version prevails. These consolidated financial statements are presented in conformity with the accounting principles and valuation criteria established by the Accounting Plan of the Andorran Financial System. Certain accounting practices applied by the Group that conform with the Accounting Plan of the Andorran Financial System may not conform with generally accepted accounting principles in other countries.

## AUDITORS' REPORT

### Crédit Andorrà Group



KPMG Auditors, S.L.  
Torre Pòdols  
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Barcelona

#### Independent Auditors' Report

(Free translation from the original report in Catalan (see note 22),  
in the event of discrepancy, the Catalan-language version prevails)

To the shareholders of  
Crédit Andorrà, SA

#### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Crédit Andorrà, SA ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at December 31, 2010, and the consolidated profit and loss account, the consolidated statement of source and application of funds and the notes on the consolidated financial statements for the year then ended.

#### **Boards of Directors' Responsibility for the Consolidated Financial Statements**

The Bank's Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Accounting Plan of the Andorran Financial System, and for such internal control as the Bank's Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Bank's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG Auditors S.L., a Spanish entity, is a subsidiary of KPMG LLP and a member firm of the OIG's network of independent member firms affiliated with OIG's International Cooperative ("KPMG International"), a Swiss entity.

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**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Cr dit Andorr , SA and its subsidiaries as at December 31, 2010, and the consolidated result of their operations and their consolidated sources and applications of funds for the year then ended in accordance with the accounting principles and valuation criteria established by the Accounting Plan of the Andorran Financial System.

KPMG Auditors, S.L.



Francesc Libert Pibernat

March 18, 2011

## Crèdit Andorrà branch network in Andorra

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### Automatic branches

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##### ILLA CARLEMANY

Illa Carlemany shopping centre  
(Escaldes-Engordany)

##### SOLDEU

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(Canillo)

##### ARINSAL

Ctra. General d'Arinsal. Arinsal  
(La Massana)

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## Crèdit Andorrà Group in the world

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### Banking and financial services

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### Social activity

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**Crédit Andorrà**

*al vostre servei i al servei del país*



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