

2008 was an extraordinary fiscal year which was conditioned by an exceptionally adverse economic and financial situation. Despite this, Andbanc obtained good results. In addition, we have decisively chosen a path on the road to achieving the strategic objectives which we outlined in our new Strategic Plan, which takes us up to 2013. Andbanc wants to take advantage of these coming years to consolidate the process of internationalisation, in what we forecast will be an adverse climate, in order to make Andbanc a benchmark in private banking.

Within this unfavourable economic context, the keys to our success during this financial year can be found in traditional sound management and prudence on the part of the bank, which have enabled us to continue to increase our market share. During this fiscal year, we are second in terms of volume of business among the Andorran banks, our equity has behaved well and our customers have enjoyed a high proportion of positive profitability thanks to our accurate vision of the markets. It is also worth noting that Andbanc has not fallen victim to the subprime securitisations or to the big bankruptcies and scandals which have come to light.

This extremely complicated financial scenario has been reflected, however, in a decrease in profit. This is a fall which can be explained to a great extent by the migration of our customers to lower-risk products; a transformation which the bank has promoted in a proactive way to anticipate the sharp drop in the markets. These are products which provide the bank with less margin, but which have ensured customer loyalty by preserving their assets at a time when many have suffered important decreases in value.

The bank has been preparing itself to get fully involved in the Strategic Plan 2009-2013 in an ambitious strategy of profitable growth which generates value for the shareholder and provides more critical mass for the bank. We believe that the current situation offers opportunities to those financial institutions, such as our own, which have been faithful to their principles and have continued to offer a differential and prudent service of private banking, which aligns its interests with those of its clients. We believe that we can grow over the coming years well over the market, until we achieve an increase in resources of up to 11.000 million Euros in 2013. The goal which we have set is that 50% of this income should come from outside Andorra.

Similarly, Andbanc has had, for many years now, a clear vision of what its strategy should be and that is none other than consolidating its international expansion. The bank has and will be consistent with this strategy. We are the leading bank in Andorra on this initiative, the first to pinpoint the need to broaden horizons and seek new places to expand our model, aware that we can only compete with the best in the world from a foundation of excellence.

At present, Andbanc has a broad network of offices and branches in strategic areas and high-potential markets. Our vision for the future does, in fact, deal with expanding this network and spanning new markets within those geographical areas which we have flagged as a priority, while, at the same time, continuing to increase our market share in the areas where we are already present. The priority areas are Switzerland, Luxembourg and Latin America; Mexico and Brazil occupying a necessarily relevant position within the group.

The Strategic Plan which has been approved for the next five years defines us as a private bank with an international calling and Andorran capital.

We are currently situated in different areas in Switzerland, Luxembourg, the Bahamas, Panama, Mexico, Germany and the British Virgin Islands and, soon we will be setting up in Brazil and Uruguay. We foresee that we will obtain a banking license to operate in Panama shortly, and a management company in Luxembourg.

In April, we became partners of the Mexican asset management company, Columbus. With this operation, we began to form part of the domestic Latin American market via a prestigious partner. Columbus is devoted to the management of assets with client resources of over 600 million US Dollars. This new partnership enables Andbanc to export its commercial experience in private banking to the Latin American market, as well as taking advantage of the local know-how of its founding members, and acquiring the potential necessary to set up in new places.

Focusing on the fiscal year of 2008, Andbanc confirms a sustained growth trend in its market share among the Andorran banks. We have consolidated our position as the second largest bank in terms of the volume of managed resources and the volume of business. This favourable progress based itself on a model of private banking in Andorra which brings differential value to our customers and to our pledge to internationalise the bank.

In 2008, the change from investment products to deposit products on the part of customers has meant that these have grown by over 60% with around 3.300 million Euros. Andbanc has been proactive in advising its customers to migrate to more conservative positions which preserve their capital. This sound advice has enabled many of our clients to obtain positive profitability. This asset transformation of our clients towards deposits has enabled us to manage a surplus cash flow of more than 1.000 million Euros approximately, which have been invested in the interbank market with great caution or in high-grade credits. Faced with the financial crisis, and within a context of trust, the banking sector has decided to be extremely prudent, selecting counterparties very carefully and shortening investment terms, even though this has meant assuming a decrease in profit.

As regards credit investment, the results reflect a high level of caution in granting new credits and loans. In addition, there has been a drop in the demand for finance due to the crisis in the property sector. These two factors had brought about a decrease in the amount of loans and credits of 3.6% with respect to the previous fiscal year. Despite this, the default rate, due to this unfavourable climate, rose by 183 basis points in 2008, leaving it at 3%.

In terms of the financial statements, the normal margin has been eroded by the adverse financial situation, and, due to caution on the bank's part, a lower amount of profit has been obtained from the interbank market, and due to the strong positioning of our customers on lower-risk products, resulting, therefore, in less margin. Furthermore, this sharp drop in the markets has given rise to less activity in the buying and selling of securities on the part of customers. Financial Operations have contributed less to the results of the bank as a consequence of the capital losses recorded in the Equity Portfolio.

This decrease in income, due to circumstantial factors, together with the increase in expenses due to the bank's overseas investments, have brought about a reduction in the Operating Margin of 42.9% in relation to the previous financial year. This increase in expenses would have been considerably higher had it not been for our efforts to rationalise. The provisions for insolvency rose by 115%, increasing from 5.2 million Euros to 11.2 million Euros in the current financial year. We have opted for acting upon prudent criteria of allocations to clear the balance sheet by forecasting that the current economic and financial situation would be drawn out for some time. These criteria will guarantee us a solid basis for obtaining good results in the coming financial years.

The profit obtained during this financial year was 31.4 million Euros, which means a good rate of profitability in relative terms of the volume of business. When the climate stabilises, the bank expects to return to the profitability rates of previous financial years.

The solvency and liquidity rates of Andbanc are 15.9% and 58.7% respectively. The bank has decided to increase capital by 10 million Euros. This has enabled us to completely clear the balance sheet, whilst, at the same time, allowing the bank to maintain a high solvency rate in a period in which this will become a competitive advantage.

In effect, these excellent solvency and liquidity rates will enable us to continue investing in achieving profitable growth. We still believe that we will continue to grow at a steady rate over the next few years, largely by way of organic growth, but also thanks to acquisitions which will help us to strengthen our presence in specific target areas. We believe that we will begin to see economic recovery at the beginning of 2011. We are convinced that we are in a strong position to configure ourselves, increasingly, as a benchmark private international bank.

This is my first year at the helm of an institution which I am honoured to lead, following the trusted placed in me by the Board of Directors. Heading a new project such as this one is a professional challenge which spurs me on to attain the most ambitious of goals. As I commented before, I believe that we are well positioned to become a benchmark in private banking, in spite of the crisis. I am convinced of Andbanc's capabilities because we have an excellent team, ambitious goals, the financial resources to achieve them and determination. Finally, I would like to reaffirm our commitment to being a leading company in our sector, to continuing to work with rigour, prudence and the best practices so as to protect the capital of our clients as entrusted to us by their assets. I would just like to add that we shall continue to improve with enthusiasm and we acknowledge the trust placed in our project and team.

A handwritten signature in black ink, consisting of a large, sweeping initial 'J' followed by the letters 'C' and 'M' in a cursive style.

Jordi Comas
Chief Executive Officer