



## Letter from the Chairman

> In last year's report, we went over how our country's oldest and yet most modern financial banking group, Andbanc, had launched a campaign under the slogan **Behind a great project, there is always a great bank**. The spirit of the campaign remained alive over the course of 2004.

Ever since its conception on December 30, 1930, Andbanc has shown its willingness to stay by the public's side, providing support to both their projects and their dreams. For this very reason, we have always made a great effort to listen, understand and offer innovative and high-quality solutions that are tailored to the needs of an evermore global clientele, with the support of an efficient and committed human team.

With this aim in mind, which is essentially our very reason for being, the 2004 financial year has been especially productive one and we have succeeded in meeting the growth and profits objectives we had set for ourselves just before starting the year.

Yet many years have passed since the days in which only profits and results were used to measure the true value of a company. More and more weight is being placed on its commitment to society, the public and to its own aims for growth. Since the very outset, Andbanc has established a strategy of cooperation in all fields of Andorran society, aimed at clearly reflecting its responsibility and heavy involvement in the development of the country. We feel most proud to be contributing to the growth and progress of our country.

From this important and most privileged standpoint, our institution has loyally kept on with the commitment to our country, by means of sponsoring popular events not only for our fellow citizens but also for other European locations. The aim of this cooperation is to push Andorra further forward into the limelight and to strengthen its international reputation as a country leading the way in staging cultural, sporting and social events.

Furthermore, this year we have increased our commitment to the sporting world by becoming the official sponsors of the XI Games of the Small States of Europe, which will be held in our country over the beginning of June 2005. The event will bring together eight small European states, represented by over 1,250 athletes and coaches, and will be closely followed by 200 journalists. The competition will feature eleven different sports, which will be held in no less than thirteen venues, a fact that highlights the impressive organisational capacity of the country. What is the most important aspect for us? The fact that the entire Andorran society will be set in motion, which, with over 1200 volunteers, will both provide the support for what are hoped to be some very well organised Games and make participating countries aware of the impressive development of our society, especially in the field of new technologies.

These Games are set to coincide with the 30th Anniversary of the Comitè Olímpic Andorrà (COA) - Andorran Olympic Committee - entry into the International Olympic Committee (IOC). So as to highlight this event and to play a part in the development of Andorran sport, Andbanc has signed an agreement with the COA for the 2005-2008 Olympic period, the aim being to help Andorran athletes and federations take part in any Olympic events that may take place within these four years.

This close link with the Principality of Andorra, coupled with our clear and dedicated commitment to clients, have both been key elements that have allowed Andbanc to play a leading role both on the national and international stage. They also afford us a sense of optimism for the future and our ability to keep up the great work we are currently proving to be so successful at.

### **Independence and service, the main advantages for clients**

Andbanc is the first Andorran financial group that does not have any foreign shareholders. This independence, being our main bastion, also entails another competitive advantage as we are one of a kind on the Andorran financial scene as well as occupying a strategic position in the current financial world: the ability to expand internationally out of Andorra, offering global banking services.

We have worked meticulously so as to become one of the most competitive options on the market, to provide those answers that are best tailored to the demands of our clients and to be capable of offering them the very best solutions. It is for this reason (the efforts of a highly professional human team and a range of immensely professional and personalised services and solutions) that the internationally renowned and respected ratings agency, Fitch Ratings, confirmed Andbanc's individual rating of B, basing their decision above all on the our solid position in the market, strong liquidity and excellent returns. They also highlighted our competitive range of products, together with selective international expansion and the fact that cutting edge computer systems and procedures help to reduce the risk of operational errors.

### **The markets, from doubts to the right time**

Experts referred to the twelve months of 2004 as an obstacle course littered with uncertainties regarding the sustainability of the United State's economy and, as a result, Europe's own. The impact of terrorist activity, corporate scandals, the price of oil and raw materials and the frailty of the dollar as against the euro proved to be just some of the acid tests that equities had to overcome in order to close the year at year-long highs.

In this context, 2004 became for stock markets a crunch year, after the bullish trend that started to make its presence known over the previous year. Nevertheless, the gains reported by the markets around the world were slightly less than those made in 2003.

Yet in terms of investment fund capital, Andbanc wrote one of its most memorable pages in the 2004 yearbook, with all-time highs both for wealth and the number of investors. The experts defined 2004 as a spectacular year for managed portfolios, thanks mainly to good market performance.

Despite this, all eyes were focused on the currency markets, due to the obvious weakness of the dollar and the all-time highs experienced by the euro. After a blazing start, the month of September saw currency markets settle into a relative calm, only for the euro to then once again continue along its dizzying climb.

In an environment so characterised by the complexity of the markets, highly globalised competition, the multiplicity of investment choices and the need to diversify investment portfolios, Andbanc continued the trend it had followed in 2003 of drawing attention to the advantages it offers in the creation and management of a wide range of what are the most competitive solutions to be found on the Andorran.

### **Andbanc in numbers**

In this field, the 2004 profit and loss account draws a healthy picture, with a clear and definite improvement over 2003.

Following on from this, Andbanc displays positive evolution in the ordinary margin, which was up 5.17% over that of the previous year, and earned profits of 66,745,000 euros, a figure that implies an increase of 6.68% over the previous year's figures. This definitively and successfully consolidates the merger process initiated in 2001, implying that not only have we succee-

ded in attaining excellent results but that they did so over a year in which growth in both managed assets and investment has been solid and sustained.

As for the main ratios and as explained in more detail in the Letter from the General Director, all of them have witnessed tangible improvements. I am keen to point out the growth in the ROE, which managed to climb to 18.79% from the 18.11% of the previous year, as well as the net profit on the total average assets, which reached 4.17%.

We could go on listing further indicators of how well the bank is evolving, such as the ordinary margin and the profits on volumes of trade, efficiency, default etc. All of this allows us to view the future with a sense of optimism and to believe that we can firmly establish ourselves as an immensely competitive force.

Andbanc is nowadays stronger than ever, as can be seen from the figures of the financial statements, as we have taken significant steps forward in terms of our objectives for growth and also been able to reflect the objectives of business culture in all our activities.

This path has not always been an easy one and preparing the celebrations for our 75th Anniversary reminds us of this fact. When our small company started up in 1930, we had to build the sturdy foundations for a kind of business that had never existed in our country until that point. Yet they were clearly necessary to support the growth and development that we experienced. The synergy between the growing bank and the transforming economy was absolute. Nowadays we feel proud to have made such progress, thanks to the courage and foresight of those men and women who were able to inspire confidence in their fellow workers and countrymen. It was this that allowed the Andorran economy to grow and evolve into what it is today. Thanks also to all the men and women that have supported us in our project to make Andbanc the Andorran bank for Andorra and the Andorran bank for the world. We have progressed from just one branch in Sant Julià de Lòria 75 years ago to a top rank financial institution, with 11 branches in the Principality and two more soon to open, as well as representative offices in Germany and Panama, stakes in financial companies, management committees of investment bodies and fund management companies in Andorra, Luxemburg and Switzerland, a subsidiary bank in the Bahamas and a vast amount of projects, all of which means that we are undeniably the bank people look to when talking of Andorran banking, with an ever increasing international presence.

To pay homage to those men and women who were able to provide the thrust needed to allow our company to grow, we have chosen **Andbanc, 75 years closer** as a slogan for the celebrations to be held at the end of this financial year. This is for us both a reality and a commitment.

I wouldn't want to finish this letter without having first expressed my immense satisfaction with everyone who has collaborated with Andbanc and, on behalf of myself and the Board of Directors, with the work carried out over 2004. I must also offer our clients, who are after all the reason for why we exist, our most sincere gratitude for the confidence and loyalty they have always placed in us and that allow us to continue along our ambitious and upward path.

Manel Cerqueda i Donadeu  
*Chairman of Board of Directors*