Auditor's Report and Annual Accounts

PRICEWATERHOUSECOOPERS

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INFORME DE AUDITORIA DE CUENTAS ANUALES

A los Socios Cooperativistas de Cajamar Caja Rural, Sociedad Cooperativa de Crédito:

1. Hemos auditado las cuentas anuales de Cajamar Caja Rural, Sociedad Cooperativa de Crédito que comprenden el balance de situación al 31 de diciembre de 2007, la cuenta de pérdidas y ganancias, el estado de flujos de efectivo, el estado de cambios en el patrimonio neto y la memoria de las cuentas anuales correspondientes al ejercicio anual terminado en dicha fecha, cuya formulación es responsabilidad de los Administradores de la Entidad. Nuestra responsabilidad es expresar una opinión sobre las citadas cuentas anuales en su conjunto, basada en el trabajo realizado de acuerdo con normas de auditoría generalmente aceptadas en España, que requieren el examen, mediante la realización de pruebas selectivas, de la evidencia justificativa de las cuentas anuales y la evaluación de su presentación, de los principios contables aplicados y de las estimaciones realizadas.

2. De acuerdo con la legislación mercantil, los Administradores de la Entidad presentan, a efectos comparativos, con cada una de las partidas del balance de situación, de la cuenta de pérdidas y ganancias, del estado de flujos de efectivo, del estado de cambios en el patrimonio neto y de la memoria de cuentas anuales, además de las cifras del ejercicio 2007, las correspondientes al ejercicio anterior. Nuestra opinión se refiere exclusivamente a las cuentas anuales del ejercicio 2007. Con fecha 9 de febrero de 2007 emitimos nuestro informe de auditoría acerca de las cuentas anuales del ejercicio 2006 en el que expresamos una opinión favorable.

3. En nuestra opinión, las cuentas anuales del ejercicio 2007 adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de Cajamar Caja Rural, Sociedad Cooperativa de Crédito al 31 de diciembre de 2007 y de los resultados de sus operaciones, de los cambios en el patrimonio neto y de sus flujos de efectivo correspondientes al ejercicio anual terminado en dicha fecha y contienen la información necesaria y suficiente para su interpretación y comprensión adecuada, de conformidad con las normas contables contenidas en la Circular 4/2004, que guardan uniformidad con las aplicadas en el ejercicio anterior.

4. El informe de gestión adjunto del ejercicio 2007 contiene las explicaciones que los Administradores consideran oportunas sobre la situación de la Entidad, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de las cuentas anuales del ejercicio 2007. Nuestro trabajo como auditores se limita a la verificación del informe de gestión con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de Cajamar Caja Rural, Sociedad Cooperativa de Crédito.

PricewaterhouseCoopers Auditores, S.L.

Fco. Javier Astiz Fernández
Socio - Auditor de Cuentas

15 de febrero de 2008

Annual accounts and Management Report

2007

CAJAMAR CAJA RURAL, SOCIEDAD COOPERATIVA DE CRÉDITO

Assets

	Thousands of Euros	
	2007	2006
Cash and balances with central banks	340,816	337,646
Financial assets held for trading	4,839	277
Loans and advances to credit institutions	3,363	-
Money market operations through counterparties	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Trading derivatives	1,476	277
Memorandum item: Loaned or advanced as collateral	-	-
Other financial assets at fair value through profit or loss	-	-
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
Available-for-sale financial assets	222,835	257,500
Debt securities	51,003	70,275
Other equity instruments	171,832	187,225
Memorandum item: Loaned or advanced as collateral		-
Loans and receivables	22,688,712	18,221,758
Loans and advances to credit institutions	606,196	689,114
Money market operations through counterparties	-	-
Loans and advances to other debtors	21,947,763	17,391,216
Debt securities	-	-
Other financial assets	134,753	141,428
Memorandum item: Loaned or advanced as collateral	*7,222,980*	*4,622,575*
Held to maturity investments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-
Hedging derivatives	9,390	6,052
Non-current assets held for sale	3,725	2,102
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Debt securities	-	-
Equity instruments	-	-
Tangible assets	3,725	2,102
Other assets	-	-
Investments	77,223	82,093
Associates	48,804	55,423
Jointly controlled entities	40	40
Group entities	28,379	26,630
Insurance contracts linked to pensions	-	-
Tangible assets	348,733	293,322
For own use	334,886	281,250
Investment properties	9,958	9,167
Other assets leased out under an operating lease	331	752
Assigned to welfare projects	3,558	2,153
Memorandum item: Acquired under a finance lease	-	-
Intangible assets	11,070	8,605
Goodwill	-	-
Other intangible assets	11,070	8,605
Tax assets	113,950	83,822
Current	326	190
Deferred	113,624	83,632
Prepayments and accrued income	32,069	17,348
Other assets	44,535	47,005
TOTAL ASSETS	23,897,897	19,357,530

Liabilities and equity

Liabilities and equity (Thousands of Euros)	2007	2006
Financial liabilities held for trading	**719**	**10**
Deposits from credit institutions	-	-
Money market operations through counterparties	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Trading derivatives	719	10
Short positions	-	-
Other financial liabilities at fair value through profit or loss	**-**	**-**
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Financial liabilities at fair value through equity	**-**	**-**
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Financial liabilities at amortised cost	**21,855,345**	**17,580,205**
Deposits from central banks	1,154,024	-
Deposits from credit institutions	769,751	594,876
Money market operations through counterparties	-	-
Deposits from other creditors	17,342,304	15,490,197
Debt certificates including bonds	1,959,944	916,847
Subordinated liabilities	359,445	359,021
Other financial liabilities	269,877	219,264
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	**-**	**-**
Hedging derivatives	**97,338**	**53,342**
Liabilities associated with non-current assets held for sale	**-**	**-**
Deposits from other creditors	-	-
Other liabilities	-	-
Provisions	**92,816**	**77,658**
Provisions for pensions and similar obligations	12,547	4,735
Provisions for taxes	-	-
Provisions for contingent exposures and commitments	14,132	14,723
Other provisions	66,137	58,200
Tax liabilities	**68,856**	**57,424**
Current	13,222	5,331
Deferred	55,634	52,093
Accrued expenses and deferred income	**55,055**	**42,678**
Other liabilities	**32,104**	**77,518**
Education and Development Fund	7,306	6,253
Other	24,798	71,265
Capital having the nature of a financial liability	**94,155**	**86,699**
TOTAL LIABILITIES	**22,296,388**	**17,975,534**

Equity

	Thousands of Euros 2007	Thousands of Euros 2006
Valuation adjustments	**23,115**	**22,513**
Available-for-sale financial assets	23,115	22,513
Financial liabilities at fair value through equity	-	-
Cash flow hedges	-	-
Hedges of net investments in foreign operations	-	-
Exchange differences	-	-
Non-current assets held for sale	-	-
Own funds	**1,578,394**	**1,359,483**
Capital:		
Issued	528,951	462,933
Unpaid and uncalled (-)	-	-
Share premium	-	-
Reserves:		
Accumulated reserves (losses)	947,227	804,374
Retained earnings	6,007	-
Other equity instruments:		
Equity component of compound financial instruments	-	-
Other	-	-
Less: Treasury shares	-	-
Profit for the year	120,600	107,527
Less: Dividends and remuneration	*(24,391)*	*(15,351)*
TOTAL EQUITY	**1,601,509**	**1,381,996**
TOTAL LIABILITIES AND EQUITY	**23,897,897**	**19,357,530**

Memorandum accounts

	Thousands of Euros 2007	Thousands of Euros 2006
MEMORANDUM ITEM:		
Contingent exposures	**883,886**	**815,568**
Financial guarantees	830,857	814,094
Assets earmarked for third party obligations	-	-
Other contingent exposures	53,029	1,474
Contingent commitments	**3,625,700**	**2,982,687**
Drawable by third parties	3,529,319	2,846,952
Other commitments	96,381	135,735
TOTAL MEMORANDUM ACCOUNTS	**4,509,586**	**3,798,255**

Income statement

Thousands of Euros	2007	2006
Interest and similar income	1,035,750	702,968
Interest expense and similar charges	(596,554)	(341,234)
Remuneration of capital having the nature of a financial liability	(4,015)	(1,997)
Other	(592,539)	(339,237)
Return on equity instruments	5,400	6,545
Associates	196	351
Jointly controlled entities	-	-
Group companies	-	4,000
Other equity instruments	5,204	2,194
A) NET INTEREST INCOME	444,596	368,279
Fee and commission income	99,004	89,049
Fee and commission expense	(10,139)	(9,392)
Gains or losses on financial assets and liabilities (net)	5,520	9,631
Held for trading	(1,067)	(901)
Other financial instruments at fair value through profit or loss	-	-
Available-for-sale financial assets	3,435	4,519
Loans and receivables	-	-
Other	3,152	6,013
Exchange differences (net)	1,187	1,938
B) GROSS INCOME	540,168	459,505
Other operating income	29,668	27,476
Personnel expenses	(174,949)	(157,176)
Other administrative expenses	(82,687)	(73,746)
Depreciation and amortisation	(32,984)	(35,445)
Tangible assets	(27,699)	(27,768)
Intangible assets	(5,285)	(7,677)
Other expenses	(8,350)	(8,982)
C) NET OPERATING INCOME	270,866	211,632
Impairment losses (net)	(115,742)	(67,183)
Non-current assets held for sale	(443)	(338)
Loans and receivables	(109,382)	(65,152)
Held-to-maturity investments	-	-
Non-current assets held for sale	285	(285)
Investments	(6,202)	(4,395)
Tangible assets	-	2,987
Goodwill	-	-
Other intangible assets	-	-
Other assets	-	-
Provisioning expense (net)	(28,244)	(27,884)
Other gains	18,379	11,571
Gains on disposal of tangible assets	7,429	10,739
Gains on disposal of investments	10,309	-
Other	641	832
Other losses	(2,797)	(2,412)
Losses on disposal of tangible assets	(131)	(579)
Losses on disposal of investments	(36)	(212)
Other	(2,630)	(1,621)
D) PROFIT BEFORE TAX	142,462	125,724
Income tax	(11,030)	(7,956)
Mandatory transfer to the Education and Development Fund	(10,832)	(10,241)
E) PROFIT FROM ORDINARY ACTIVITIES	120,600	107,527
Profit or loss from discontinued operations (net)	-	-
F) PROFIT FOR THE YEAR	120,600	107,527

Statement of changes in equity

	Thousands of Euros 2007	2006
NET INCOME RECOGNISED DIRECTLY IN EQUITY	**602**	**(376)**
Available-for-sale financial assets	602	(376)
Revaluation gains/losses	5,553	1,989
Amounts transferred to income statement	(3,253)	(3,985)
Income tax	(1,698)	1,620
Reclassifications	-	-
Other financial liabilities at fair value	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
Cash flow hedges	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Amounts transferred to the initial carrying amount of hedged items	-	-
Income tax	-	-
Reclassifications	-	-
Hedge of net investments in foreign operations	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Exchange differences	-	-
Translation gains/losses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Non-current assets held for sale	-	-
Revaluation gains	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
PROFIT FOR THE YEAR	**126,607**	**107,527**
Published profit for the year (*)	126,607	107,527
Adjustments due to changes in accounting policies	-	-
Adjustments made to correct errors	-	-
TOTAL INCOME AND EXPENSES FOR THE YEAR	**127,208**	**107,151**
MEMORANDUM ITEM: EQUITY ADJUSTMENTS ALLOCABLE TO PRIOR PERIODS	**-**	**-**
Effect of changes in accounting policies	-	-
Own funds	-	-
Valuation adjustments	-	-
Effect of errors	-	-
Own funds	-	-
Valuation adjustments	-	-
TOTAL	**-**	**-**

(*) Includes the Retained Earnings incorporated from Caja Rural del Duero, Sociedad Cooperativa de Crédito.

Cash flow statement

	Thousands of Euros	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	120,600	107,527
Adjustment to profit:		
Depreciation of tangible assets (+)	27,699	27,768
Amortisation of intangible assets (+)	5,285	7,677
Impairment losses (+/-)	115,742	67,183
Provisioning expense (net) (+/-)	28,244	27,884
Gains/Losses on disposal of tangible assets (-/+)	(7,298)	(10,160)
Gains/Losses on disposal of investments (-/+)	(10,273)	212
Taxes (+/-)	11,030	7,956
Other non-monetary items (+/-)	29,273	15,691
Adjusted profit	320,302	251,738
Net increase/decrease in operating assets	(4,515,798)	(2,817,519)
Financial assets held for trading		
Loans and advances to credit institutions	3,363	-
Money market operations through counterparties	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Trading derivatives	-	-
Other financial assets at fair value through profit or loss		
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Available-for-sale financial assets		
Debt certificates including bonds	18,667	109,433
Other equity instruments	16,157	(43,764)
Loans and receivables		
Loans and advances to credit institutions	(82,977)	306,653
Money market operations through counterparties	-	-
Loans and advances to other debtors	(4,641,663)	(3,177,910)
Debt certificates including bonds	-	-
Other equity instruments	9,093	(12,759)
Other operating assets	2,334	828
Net increase/decrease in operating liabilities	4,233,564	2,622,440
Financial liabilities held for trading	-	-
Deposits from credit institutions	-	-
Money market operations through counterparties	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Trading derivatives	-	-
Short positions	-	-
Other financial liabilities at fair value through profit or loss	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Financial liabilities at fair value through equity	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt securities	-	-
Financial liabilities at amortised cost		
Deposits from central banks	1,150,000	(200,373)
Deposits from credit institutions	172,148	(351,934)
Money market operations through counterparties	-	-
Deposits from other creditors	1,868,703	3,158,993
Debt certificates including bonds	1,026,899	28,404
Other financial liabilities	101,290	4,918
Other operating liabilities	(85,476)	(17,568)
Total net cash flows from operating activities	38,068	56,659

Cash flow statement

	Thousands of Euros	
	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments: (-)		
Group entities, jointly controlled entities and associates	(3,158)	(54,232)
Tangible assets	(86,913)	(44,986)
Intangible assets	(7,808)	(7,049)
Held-to-maturity investments	-	-
Other financial assets	-	-
Other assets	-	-
Divestments: (+)		
Group entities, jointly controlled entities and associates	7,915	33
Tangible assets	9,763	26,640
Intangible assets	58	230
Held-to-maturity investments	-	-
Other financial assets	-	-
Other assets	-	-
Total net cash flows from investing activities	(80,143)	(79,364)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance/redemption of capital or endowment fund	66,018	72,665
Acquisition of own equity instruments (-)	-	-
Disposal of own equity instruments (+)	-	-
Issuance/redemption of non-voting equity units	-	-
Issuance/redemption of other equity instruments	-	-
Issuance/redemption of capital having the nature of a financial liability	7,456	13,886
Issuance/redemption of subordinated liabilities	-	-
Issuance/redemption of other long-term liabilities	-	-
Dividends/interest paid (-)	(28,406)	(17,348)
Other items relating to financing activities	-	-
Total net cash flows from financing activities	45,068	69,203
Effect of exchange rate changes on cash or cash equivalents	-	-
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	2,993	46,498
Cash or cash equivalents at the beginning of the year	337,283	290,785
Cash or cash equivalents at the end of the year	340,276	337,283

Contents

1. General Information

1.1. Nature of the Entity

Cajamar Caja Rural, Sociedad Cooperativa de Crédito, founded in 1963 in accordance with an agreement entered into by the founding entities.

The Entity's former name, Caja Rural Intermediterránea, Sociedad Cooperativa de Crédito, was changed to its current one as approved by the General Assembly of Cooperative Members held on 28 March 2006. The Entity operates throughout the entire Spanish state and may also operate abroad, if this is deemed appropriate to the economic activity of its members and clients.

Cajamar Caja Rural, Sociedad Cooperativa de Crédito, -Cajamar- (hereinafter the Entity) was incorporated at the General Assembly on 8 June 1963, and was classified and registered in the in the Inland Revenue's General Cooperatives Registry with number 27, section C; and in the Bank of Spain's Special Registry of Credit Cooperatives, with code number 3058. The Entity is also entered into the Almería Mercantile Registry on page 1, volume 191-AL of the Cooperative Entities Section, page 1, entry 1, dated 13 July 1994.

On 24 October 1994, by resolution of the National Institute for the Promotion of Social Economy at the Ministry of Employment and Social Security, the Entity was entered in the Central Section of the Spanish Cooperatives Registry kept by the, as volume XLIX, page 4814, entry 2, and subsequent modification, registered on 1 October 2001, entry no. 16 in the Department of Business Promotion and Development and Entities Register of the Ministry for Labour and Welfare, assigned with key number 1726SMT, and also keeping number UC-RCA-10 on the aforementioned cooperatives register. C.I.F.: F-04001475 - Accounting code 3058.

The Entity came into being as a result of the merger between Caja Rural de Almería, Sociedad Cooperativa de Crédito and Caja Rural de Málaga, Sociedad Cooperativa de Crédito in 2000, as approved at the General meetings of the respective entities on 30 June of that year. This merger was undertaken by Caja Rural de Almería, Sociedad Cooperativa de Crédito absorbing Caja Rural de Málaga, Sociedad Cooperativa de Crédito, taking over all the rights and obligations of the absorbed entity and winding up the absorbed entity. Once the terms legally established had elapsed, the merger was registered by public deed in the Mercantile Registry on 6 November 2000.

During 2000 prior to the aforementioned merger, Caja Rural de Málaga, Sociedad Cooperativa de Crédito performed another merger process, in which it fully absorbed the entity Caja Grumeco, Sociedad Cooperativa de Crédito.

On 24 August 2007 the respective General Assemblies of the Entities Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Duero, Sociedad Cooperativa de Crédito approved a merger between both entities. This merger was carried out by means of the absorption of Caja Rural del Duero, Sociedad Cooperativa de Crédito by Cajamar Caja Rural, Sociedad Cooperativa de Crédito, the latter taking over all rights and obligations of the absorbed entity and the absorbed entity being wound up as a result of the operation. After the legally required periods had elapsed and the corresponding authorisations had been obtained, the merger was registered by public deed in the Almería Mercantile Registry on 27 December 2007 (Note 3.24).

The entity which was absorbed and therefore wound up without liquidation, Caja Rural del Duero, Sociedad Cooperativa de Crédito, was a company incorporated for an indefinite period, the Articles of Association of which were modified by public deed before the public notary of Valladolid, Mr. José María Labernia Cabeza, on 15 December 2006, under number 4.056 of his protocol.

The absorbed entity was also registered in the Valladolid Mercantile Registry, Volume 1252, Page 153, Entry 897, Log 58, in the Cooperatives Registry kept by the Ministry of Employment, under number 221, Sº MT and in the Bank of Spain's Registry of Credit Cooperatives under number 3083.

1.2. Statutory Activity

The Entity's objective is to cater for the financing needs of its members and of third parties, by performing the activities typical of a credit entity. Hence, for these purposes, it can perform all types of asset or liability operations, banking and parabanking services, giving preferential attention to the financial demands of its members. Asset operations with non-members cannot exceed 50% of the Entity's total funds.

1.3. Registered Offices

The Entity's registered offices are located at Almería, Plaza Barcelona, 5. The Entity has a network of 915 branch offices, mainly located in Almería, Malaga, Murcia, Barcelona, Valladolid and Madrid (see Appendix II for network details by geographical location).

1.4. Legal issues

The Entity is subject to certain legal requirements governing, inter alia, the following:

> Minimum cash balances or deposits with a central national bank of a country inside the euro zone to meet minimum reserve requirements, which at 31 December 2007 and 2006 was equivalent to 2% of the liabilities calculable for these purposes.

> Distribution of at least 20% of the surplus available for the year to the Mandatory Legal Reserve (set at 80% by the Entity's Articles of Association -Note 18) and 10% to the Education and Promotion Fund.

> Maintenance of a minimum level of equity for capital adequacy purposes.

> Annual contribution to the Deposit Guarantee Fund as an additional guarantee to that of the Entity's capital adequacy for the Entity's creditors and clients.

The Entity is mainly governed by Law 13/1989 of 26 May on Credit Cooperatives and its Code of Conduct published in Royal Decree 84/1993 of 22 January. The Entity is also subject to the general regulations governing credit entity activity and, in addition, general legislation on cooperatives.

Cajamar has adapted its articles of association to Law 13/1989 of 26 May on Credit Cooperatives, published in the Spanish Official State Gazette on 31 May 1989 and the Spanish General Cooperatives Law 27/1999 of 16 July, published in the Spanish Official State Gazette on 17 July 1999.

In accordance with the prevailing articles of association of Cajamar, cooperatives of any kind, degree or field are entitled to become cooperative members of the Entity, as are any public or private, national or foreign, private individuals or legal entities, who are permitted or not forbidden by the prevailing articles and whose activity does not compete with that of the Entity.

Cajamar participates in the Credit Cooperatives' Deposit Guarantee Fund. The current guarantee amount per participant currently stands at Euros 20 thousand.

Article 55.3 of the Entity's articles of association, concerning the determination and distribution of earnings, establishes that available surplus is distributed as follows: 10% to the Education and Development Fund; 80% to the Mandatory Legal Reserve and the remaining 10% as agreed by the Cooperative Members at their General Meeting, following the proposal of the Governing Board (Note 6).

Cajamar is subject to general legislation applicable to Credit Entities, of which the following regulations are highlighted:

> Royal Decree Law 1298/1986 of 28 June whereby the prevailing law on Credit Entities was brought into line with the European Community (Spanish Official State Gazette of 30 June).

> Law 26/1988 of 29 June, on Discipline and Intervention in Credit Entities (Spanish Official State Gazette of 30 July).

> Bank of Spain Circular 4/2004 of 22 December on Public and Reserved Financial Information Regulations, which states in its motives that the contents of the EU-adopted IFRS (International Financial Reporting Standards) have been adhered to.

> Law 13/1992 of 1 June (Spanish Official State Gazette of 2 June), Royal Decree 1343/1992 of 6 November (Spanish Official State Gazette of 7 December), Law 5/2005 of 22 April (Spanish Official State Gazette of 23 April) and Bank of Spain Circular 5/1993 of 26 March (Spanish Official State Gazette of 8 April), and its subsequent modifications, on the determination and control of minimum equity and limits to major risks of Spanish credit entities and financial conglomerates (Mixed Groups).

In addition, the Entity is subject to Royal Decree 1362/2007, of 19 October, governing the Securities Market Law 24/1988, of 28 July, regarding the transparency requirements relating to information on issuers whose securities are admitted for trading on a secondary official market or on another official market in the European Union.

2. Accounting principles and basis of presentation of the Annual Accounts

2.1. Fair view

These annual accounts have been prepared in accordance with the Entity's accounting records and are presented in accordance with Bank of Spain Circular 4/2004 of 22 December, to present fairly the Entity's equity, financial position, results of operations, changes in equity and the Entity's cash flows.

The accompanying 2007 annual accounts have been drawn up by the Governing Board and will be submitted for approval by the Members at their General Meeting, which is expected to take place without significant changes.

The generally accepted accounting principles and valuation criteria described in this and the following Note have been applied for the preparation of the annual accounts. No compulsory accounting principles or valuation criteria that significantly effect the annual accounts have been omitted.

2.2. Going concern basis

The information contained in these annual accounts has been prepared on a going concern basis. Therefore, the accounting principles have not been applied with the aim of determining the equity value necessary for the Entity's total or partial transfer or for a hypothetical winding up.

2.3. Accruals principle

The accompanying annual accounts have been prepared on an accruals basis, based on the real exchange of goods and services, irrespective of collections and payments.

2.4. Offsetting of balances

Balances can only be offset, and therefore netted in the balance sheet, when they correspond to debtor and creditor balances arising from transactions that by contract or legal requirement are eligible for offset, and the intention is to settle them at their net amount or realise the asset and settle the liability simultaneously.

2.5. Comparison of information

For comparative purposes, the Governing Board of the Entity presents, for each of the captions detailed in the accompanying annual accounts, both the figures for 2007 and those corresponding to the previous year.

No accounting modifications have occurred that significantly affect the comparison between the annual accounts for 2007 and 2006.

The Entity's annual accounts for 2006 were approved by the Members at the General Meeting held on 15 March 2007.

The accompanying annual accounts, unless otherwise stated, are presented in thousands of euros.

2.6. Use of judgment and estimates in the preparation of the financial statements

The preparation of these annual accounts, in accordance with Circular 4/2004, require the Governing Board of the Entity to make judgments and estimates based on assumptions that affect the application of the accounting criteria and principles and the amounts of assets, liabilities, income, expenses and commitments registered therein. The most significant estimates used in the preparation of these annual accounts are as follows:

> Financial asset impairment losses (Notes 3.1.a., 3.1.c., 3.3., 6.4.c. and 6.5.d.).

> The assumptions used in the actuarial calculations carried out to measure post-employment benefit liabilities and commitments (Note 3.21.).

> Impairment losses and useful lives of tangible assets and intangible assets (Notes 3.9., 3.10., 10 and 11).

> Fair value of certain financial assets not quoted on official secondary markets (Notes 3.1. and 6.1.e.).

> The fair value of the assets, liabilities and contingent liabilities, including the unrecorded intangible assets of Caja Rural del Duero, Sociedad Cooperativa de Crédito included in these annual accounts (Note 3.24).

> Losses on future commitments deriving from contingent exposures (Note 3.3. and 3.13.).

> The reversal period for timing differences (Notes 3.19. and 21).

The estimates and assumptions used are based on historical experience and other factors that are considered to be the most reasonable at the present time and are periodically revised.

2.7. Other general principles and environmental information

The annual accounts have been prepared in accordance with the historical cost approach, modified, where applicable, for revaluation of available-for-sale financial assets, financial assets and liabilities (including derivatives) at fair value, assets, liabilities and contingent liabilities arising from business combinations (Note 3.24) and for the revaluation carried out on items recorded in the land and buildings captions on 1 January 2004 (Note 3.9).

Due to the Entity's main activity, it does not have any environmental responsibilities, expenses, assets, provisions or exposures that could be significant with regard to its equity, financial situation and results. Therefore, no specific details have been included in this annual report regarding information on environmental matters.

2.8. Agency contracts

The Entity does not have, nor has had at any time during 2007 and 2006, agency contracts of the sort provided for in article 22 of Royal Decree 1245/1995 of 14 July.

2.9. Consolidated Group

The Entity is the parent of the consolidated group formed by Cajamar Caja Rural, Sociedad Cooperativa de Crédito and its subsidiaries (Grupo Cajamar). Details of this Group, together with which the Entity presents separate consolidated annual accounts for 2007, can be found in Appendix I.

In accordance with prevailing legislation, the Governing Board of the Entity has prepared, at the same date, the consolidated annual accounts of the Group. The effect of the said consolidation on the accompanying balance sheet at 31 December 2007 and 2006 and the income statement, the statement of changes in equity and the cash flow statements for 2007 and 2006, causes the following differences:

	Thousands of Euros			
	2007		2006	
	Individual	Consolidated	Individual	Consolidated
Assets	23,897,897	23,910,193	19,357,530	19,365,419
Equity	1,601,509	1,619,203	1,381,996	1,391,198
Profit for the year	120,600	130,387	107,527	113,570
Total income and expenses in the statement of changes in equity	127,208	127,068	107,151	112,242
Net increase/(decrease) in cash or cash equivalents	2,993	2,955	46,498	46,499

3. Significant accounting criteria and standards

3.1. Financial instruments

A financial instrument is a contract that gives rise to a financial asset in one entity and, simultaneously, a financial liability or equity instrument in another entity. The financial instruments issued by the Entity, and their contents, are classified as financial assets or liabilities on the date of their initial recognition, based on their economic reserves when this does not coincide with their legal form.

A financial asset is any cash contract, equity instrument in another entity, contractual right to receive money or another financial asset from a third party, or to exchange financial assets or liabilities with a third party in potentially favourable conditions.

A financial liability is any type of commitment that infers a contractual obligation to repay cash or another financial asset to a third party, or to exchange financial assets or liabilities with a third party in potentially unfavourable conditions.

A derivative is a financial instrument whose value alters in response to the changes in an observable market variable (sometimes called the underlying asset), that requires no initial investment, or a minimal investment in relation to other financial instruments with a similar response to changes in market conditions, and that will be settled at a future date.

The Entity issues hybrid financial instruments that include a main contract other than a derivative and a financial derivative contract, called the embedded derivative. These embedded derivatives are separate from the aforementioned main contracts and are treated independently for accounting purposes if they fulfil the following conditions: (i) the characteristics and economic risks of the embedded derivative are not closely related to those of the main contract that is not a derivative; (ii) a different instrument with the same conditions as the embedded derivative would fulfil the definition of a derivative; (iii) the hybrid contract is not measured at its fair value through profit or loss.

The initial value of embedded derivatives that are separated from the main contract and are options is calculated based on their own characteristics and those that are not options generally have an initial value of zero. When the Entity is unable to reliably estimate the fair value of an underlying derivative, the difference between the fair value of the hybrid contract and the main contract is used, provided that both values can be considered reliable. If this is not possible either, then the Entity does not segregate the hybrid contract and uses, for accounting purposes, the hybrid financial instrument as a whole, included in the financial instruments portfolio at fair value through profit or loss. The main contract, that is not a derivative, is treated independently for accounting purposes.

Financial instruments are included on the balance sheet only when the Entity becomes part of the contract in accordance with its specifications. The Entity registers debt securities, such as loans and money deposits, from the date on which the legal right to receive, or the legal obligation to pay, becomes effective and in the case of financial derivatives, from the contract date. Additionally, transactions carried out in the foreign currency market will be registered on the settlement date, and financial assets traded in secondary Spanish stock markets, in the case of capital instruments, will be recorded on the contract date and, with regard to debt securities, on the settlement date.

Financial assets and liabilities with which the Entity normally operates include:

> Financing granted to and received from other credit entities and customers, irrespective of the legal form within of the arrangement.

> Debt securities (securities, bonds, promissory notes, loans and advances, etc.) and equity instruments (shares).

> Derivatives: with the aim of obtaining a result (profit or loss) that allows, if certain conditions are met, the Entity's financial risks associated with balances and transactions to be fully or partially eliminated.

a) Financial assets

Financial assets include, inter alia, cash balances held, deposits with central banks and credit entities, money market operations through counterparties, loans and advances to other debtors, debt securities, equity instruments acquired, except those corresponding to subsidiaries, jointly owned or associated companies, trading and hedging derivatives.

Classification of financial assets

The Entity classifies its financial assets in the following portfolios for valuation purposes:

> "Financial assets at fair value through profit or loss" This financial assets portfolio is subdivided into the following:

- "Trading portfolio": these are financial assets arising or acquired for the purposes of realisation in the short term, or which form part of a financial instruments portfolio identified and jointly managed for which there is evidence of recent activity aimed at generating short-term profits. Non-hedging derivative instruments are also included in this category.

- "Other financial assets at fair value through profit or loss." these include hybrid financial assets that do not form part of the trading portfolio and that in accordance with prevailing legislation must be measured integrally at their fair value. Also included in this portfolio are the financial assets that do not form part of the trading portfolio and that are managed jointly with financial derivatives that are aimed at significantly reducing their exposure to variations in fair value, or that are managed jointly with financial and derivative liabilities with the aim of significantly reducing the overall exposure to interest rate risk.

> "Held-to-maturity investments": this portfolio includes fixed-term debt securities and cash flows of fixed or ascertainable amounts held by the Entity from the initial date and at any subsequent date, with both the positive intention and the demonstrated financial capacity to hold until maturity.

> "Loans and receivables": these include financial assets that are not traded on an active market, are not required to be measured at fair value and whose cash flows are of a fixed or ascertainable amount and for which the total outlay made by the Entity is expected to be recovered, excluding reasons attributable to debtor solvency. This category includes both investments from typical credit activity, such as cash amounts available and pending repayment by customers on account of loans or deposits due from other entities, irrespective of their legal arrangement, and unquoted debt securities, and also debts incurred by purchasers of goods or users of services that form part of the Entity's business.

> "Available-for-sale financial assets": this portfolio includes debt securities that are not classified as held-to-maturity investments or investments at fair value through profit or loss, and equity instruments of companies that are not subsidiaries of, associated to, or jointly held by the Entity and that have not been included under the category of fair value through profit or loss.

Valuation of financial assets

Financial assets are initially registered in the balance sheet at their fair value. The fair value is the amount for which an asset can be delivered, or a liability settled, between interested parties that are properly informed in a transaction carried out at arm's length.

Following their initial booking, the Entity measures all the financial assets, including derivatives that are not assets, at their fair value, without deducting any transaction costs which may be incurred on their sale, or any other form of disposal, with the following exceptions:

> Financial assets included in the “Loans and receivables” and “Held-to-maturity investments” portfolios, are measured at amortised cost. The amortised cost is the amount that the financial instrument was initially measured at, less the repayments of principal, plus or minus, as applicable, the portion taken to the income statement, using the effective interest rate method, of the difference between the initial amount and the redemption value at maturity, less any impairment adjustment directly registered as a reduction in the amount of the asset or via a value adjustment account.

> Financial assets that are equity instruments whose fair value could be reliably estimated, as well as derivatives that these instruments have as underlying assets and are settled by submission thereof, that are measured at cost.

Fair value variations undergone by “Financial assets at fair value” will be reflected in the income statement for those assets classified under "Financial assets at fair value through profit or loss" and in "Equity - valuation adjustments" for those classified as "Available-for-sale financial assets".

Financial assets designated as hedged items or as hedging instruments are measured according to Note 3.4. of this annual report.

The best evidence of the fair value of a financial instrument is the price that would be paid for it on an official, transparent and sound market ("quoted price" or "market price"). When a certain financial instrument lacks a market price, the fair value established by recent transactions of similar instruments is used, and failing that, models of valuation adequately verified by the international financial community are used, taking into consideration the special characteristics of the instrument being measured and especially the different types of risk associated with the instrument.

The fair value of standard financial derivatives included in the trading portfolios is their daily quotation and if, for exceptional reasons, their quotation at the given date cannot be established, similar methods of valuation to those used for measuring OTC (Over The Counter) derivatives are used. The fair value of OTC derivatives is equal to the sum of the future cash flows that the instrument gives rise to, deducted at the valuation date ("current value" or “theoretical close”), using methods recognised by the financial markets in the valuation process, such as "net present value" (NPV), option pricing model, etc.

The effective interest rate is the adjustment rate that brings the initial value of a financial instrument exactly into line with the total amount of estimated cash flows during its remaining life. For fixed-interest financial instruments, the effective rate is calculated using the contractual interest rate established at the date of acquisition taking into consideration, where relevant, any commissions that by nature resemble an interest rate. For variable-rate financial instruments, the effective rate coincides with the current rate for all items until the first reference interest rate review is performed.

Financial asset write-offs

Financial assets are written off the Entity's balance sheet when the contractual rights to cash flows have expired or are transferred, provided that during the said transfer the risks and benefits are substantially transferred or, in cases where substantial transmission and deduction does not exist, the control of the financial asset is transferred. In the latter case, when control of the asset is not transferred, financial assets will continue to be registered due to their ongoing commitment, in other words, for an amount equal to the Entity's exposure to changes in the value of the transferred financial asset.

Financial asset impairment losses

The carrying value of financial assets is corrected by the Entity against profit or loss when objective evidence exists that an impairment loss has taken place. This is determined according to the following criteria:

> Debt security impairment losses

Objective evidence of impairment of debt securities, understood to be loans and debt securities, exists when, following their initial recognition, an event occurs that has a negative impact on their future cash flow.

The objective evidence of impairment is determined individually for significant debt securities and individually and collectively for groups of instruments that are not individually significant.

In the case of debt securities measured at their amortised cost, the amount of losses on impairment is equal to the difference between their carrying value and the current value of their estimated future cash flow, although, for quoted instruments, the Entity takes the market value of cash flows as a substitute for current cash flow values, provided it is sufficiently reliable. The future estimated cash flows of debt securities are all the amounts, capital and interest, that the Entity considers the instrument will obtain during its life. All relevant information available at the date of preparation of the financial statements that offers data regarding the possible future collection of contractual cash flows is taken into consideration for this valuation. With regard to the valuation of secured future cash flow instruments, the cash flows obtained when these are realised is taken into account, less the amount for costs incurred on their purchase and later sale, irrespective of the likelihood of guaranteed execution.

In order to calculate the current value of estimated future cash flows, in cases where the contractual rate is fixed, the instrument's original effective rate is used as the adjustment rate and in cases of variable rates, the effective rate used is determined in accordance with the conditions of the contract on the date of the financial statements.

The amount of estimated impairment losses is registered in the income statement using an offsetting item as a balancing entry in order to adjust the value of assets. When the likelihood of recovery of the loss is considered remote, this amount is written off.

In order to determine impairment losses relating to “Available-for-sale financial assets”, the positive difference between its acquisition cost, net of any principal repayments, and the fair value, less any impairment loss previously recorded in the income statement is used. When objective evidence exists that a drop in fair value of an asset classified as available-for-sale is due to its impairment, the total latent loss registered as “Valuation adjustments” in “Equity” is immediately taken to the income statement.

Recoveries of debt instrument impairment losses are recorded in the income statement of the period in which the recovery takes place.

Interest accruals are discontinued on all debt securities that are classified as impaired by the Entity, as well as those that collectively have impairment losses for amounts overdue by more than three months.

Note 3.3. explains the method used by the Entity to determine financial asset impairment losses relating to credit risk.

> Equity instrument impairment losses

Objective evidence of equity instrument impairment exists when, following their initial recognition, an event or combination of events occur that leads to the belief that the carrying value thereof will not be recovered.

With regard to equity instruments valued at fair value and included in the "Available-for-sale financial assets" portfolio, impairment losses, where relevant, are calculated as the difference between the acquisition cost and the fair value minus previously registered impairment losses. The Entity considers a significant and prolonged decline in fair value (more than a year and a half and 40% of its value), to be objective evidence of asset impairment in this portfolio. Latent losses recorded directly as “Valuation adjustments" under “Equity” are taken to the income statement once the decline in fair value is determined to be due to impairment. If at a later date, all or part of the impairment losses are recovered, the amount is registered in “Valuation adjustments” under “Equity”.

With regard to equity instruments measured at cost in the “Available-for-sale financial assets” portfolio, the impairment loss is the positive difference between its carrying value and the current value of expected future cash flow, adjusted to the market rate for other similar values. Impairment is determined using the equity of the subsidiary, excluding “Valuation adjustments” due to cash flow hedges, adjusted for any underlying goodwill at the valuation date. These losses are registered in the income statement directly reducing the equity instrument and without the possibility of recovering the amount at a later date unless it is sold.

b) Financial liabilities

Financial liabilities include, inter alia, deposits from central banks and credit institutions, money market operations through counterparties, deposits from other creditors, debt securities, hedging derivative, subordinated liabilities and short positions.

Classification of financial liabilities

Financial liabilities are classified, for valuation purposes, under one of the following categories:

> "Financial liabilities at fair value through profit or loss" This financial liabilities portfolio is subdivided into the following:

- "Financial liabilities held for trading": these are financial liabilities issued with the intention of recovering them in the short term. This portfolio includes short positions, financial liabilities that form part of the financial instruments portfolio identified and jointly managed, for which there is evidence of recent activity aimed at generating short-term gains, non-hedging derivative instruments and liabilities arising on the cash sale of financial assets acquired temporarily or received on loan.

- "Other financial liabilities at fair value through profit or loss": these include hybrid financial liabilities that do not form part of the trading portfolio and therefore must be measured entirely at their fair value, including life assurances related to investment funds, when the financial assets to which they are related are also measured at fair value through profit or loss.

> "Financial liabilities at fair value with changes to equity": included in this category are financial liabilities associated with "Available-for-sale financial assets" that result from asset transfers that have to be measured at their fair value with changes to "Equity".

> "Financial liabilities at amortised cost": financial liabilities not included in any of the aforementioned categories are included in this category.

Valuation of financial liabilities

Financial liabilities are initially registered on the balance sheet at their fair value. Following their initial registration all financial liabilities are measured at amortised cost, except:

> Those included in the "Financial liabilities at fair value through profit or loss" category, which will be measured at fair value, except for derivatives whose underlying assets are equity instruments whose fair value cannot be reliably estimated and which will therefore be measured at cost.

> Financial liabilities resulting from asset transfers that do not fulfil the conditions for the write-off of the assets from the balance sheet of the ceding entity, as it maintains control of the financial asset and does not substantially transfer or retain its risks and benefits.

> Financial liabilities designated as hedged items or as hedging instruments that follow the criteria and standards set forth in Note 3.4.

Writing off of financial liabilities

Financial liabilities are written off the Entity's balance sheet when they have been settled or acquired. The difference between the carrying value of financial liabilities settled and the compensation received is taken directly to the income statement.

c) Gains and losses on the value of financial assets

Gains and losses on financial instruments are recorded according to the portfolio in which they are classified following the criteria below:

> For financial instruments included in the category of “At fair value through profit or loss”, the changes in fair value are registered directly in the income statement, distinguishing, for instruments that are not derivatives, between the portion attributable to instrument earnings, booked as either interest or dividends, and those that are recorded as gains or losses on financial assets and liabilities (net). Earnings on financial instruments classified within this category are calculated using the effective interest rate method.

> For financial instruments measured “At amortised cost”, changes in fair value are recorded when the financial instrument is written off the balance sheet and, in the case of financial assets, when their impairment occurs. Interest on financial instruments classified within this category is calculated using the effective interest rate method.

> For “Available-for-sale financial assets” the following criteria are applied:

- Interest accrued, calculated according to the effective interest rate method, and when applicable, dividends accrued are registered in the income statement.

- Impairment losses are recorded in line with the criteria described in this Note.

- Exchange differences related to monetary financial assets are registered in the income statement and provisionally in equity as “Valuation adjustments” when referring to non-monetary financial assets until they are written off, at which time these differences are taken to the income statement.

- Other value changes are recorded directly in equity of the Entity until the financial asset is written off.

The objective evidence of impairment will be determined individually for significant debt securities and individually and collectively for groups of debt securities that are not individually significant. When a specific instrument cannot be included in any of the groups of assets with similar risk characteristics, it will be analysed individually, exclusively in order to determine if it is impaired and, where applicable, in order to estimate the impairment loss.

The collective evaluation of a group of financial assets in order to estimate their impairment losses is carried out as follows:

> Debt securities are included in groups with similar credit risk characteristics, indicating the debtors' capacity to pay the total amount, principal and interest, in accordance with the contract conditions. The credit risk characteristics that are used to group the assets include, inter alia, the type of instrument, the debtor's sector of activity, the geographic area of activity, the type of guarantee, the ageing of overdue amounts and any other factor that is relevant to the valuation of future cash flow.

> The future cash flows of each group of debt securities is calculated based on the historical loss experience of the Entity for instruments with similar credit risk characteristics to those of the respective group, once the necessary adjustments have been made to adapt the historical data to current market conditions.

> Loss impairment for each group is the difference between the carrying value of all the debt securities in the group and the current value of estimated future cash flow.

3.2. Contributions to share capital

Contributions to the Entity's share capital are registered as equity when an unconditional right to refuse its redemption exists or when legal or statutory prohibitions exist preventing its redemption. If the ban on redemption is partial, the redeemable amount above the ban is registered under a specific item as a financial liability. Similarly, contributions for which payment commitments exist, even when conditioned by the existence of cooperative profit, are treated as financial liabilities. Payment of the contributions are registered as financial expenses for the year if they correspond to contributions booked as financial liabilities directly against equity, as part of the distribution of profits of the cooperative.

At the General Assembly of Cooperative Members held on 28 March 2006 the Entity's articles of association were modified to adapt them to the new regulatory framework defined in Circular 4/2004, according to which yields on capital investments shall require the Governing Board's prior approval if, as a result thereof, capital were to fall to below 85% of the amount on existing on the last day of the month immediately preceding. At the same Assembly meeting the rate of capital investment yields was modified. This figure is set by the Assembly on a yearly basis and its execution can be delegated to the Governing Board to the extent and in the terms deemed appropriate.

Hence, since yields not exceeding 15% of the previous capital balance do not require the approval of the Governing Board, the aforementioned 15% must be taken to liabilities under “Capital having the nature of a financial liability” and interest accrued must be registered as financial expenses in the income statement caption “Interest expense and similar charges”.

In any event, Bank of Spain Circular 3/2005 of 30 June, which modifies Bank of Spain Circular 5/1993 of 26 March, governing the determining and control of minimum eligible capital, establishes that contributions to share capital by credit cooperatives, irrespective of their accounting classification as financial liabilities or equity, shall form part of first category eligible capital (Tier I in the terminology of the Basil Banking Supervision Committee).

3.3. Credit risk hedging and calculation method

Debt instrument portfolios, contingent exposures and contingent commitments, regardless of their holder, arrangement or guarantee, are analysed in order to determine the credit risk to which the Entity is exposed and to estimate the need to hedge for impairment. For the preparation of the financial statements, the Entity classifies its transactions according to credit risk, separately analysing customer bad debt risk and country risk to which they may be exposed.

> Customer loan loss risk

Debt securities not measured at fair value through profit or loss, contingent exposures and contingent commitments are classified, according to the loan loss risk attributable to the customer or transaction in the following categories: normal risk, substandard risk, doubtful risk due to customer arrears, doubtful risk due to reasons other than customer arrears and default risk.

The Entity classifies as doubtful all instruments, as well as contingent exposures and commitments for which objective evidence of impairment exists, referring fundamentally to the existence of non-payment, incompliance, refinancing or the existence of information that demonstrates the possibility of not recovering the total amount of agreed future cash flow.

In order to cover this customer loan loss risk, the Entity maintains the following types of hedging:

- Specific hedging determined individually for instruments classified as doubtful, taking into account the ageing thereof, guarantees extended and the economic situation of the customer and, where relevant, of the guarantors. This estimate is carried out in accordance with the hedging minimums by default schedule established in the Bank of Spain's Circular 4/2004 in Appendix IX, which have been calculated by the Bank of Spain based on its experience and the information it has regarding the Spanish banking sector.

- Specific coverage determined collectively for all those instruments classified as substandard, taking into account the approximate difference between the amount recorded under assets for these instruments and the actual value of the cash flows expected to be collected for the group, less the average contract interest rate.

- Generic hedging that covers inherent losses, understood to be those incurred at the date of the financial statements and pending allocation to specific transactions, which correspond to debt securities not estimated at fair value through the profit and loss, and also to contingent exposures, classified as normal risk taking into account the historical impairment experience and other known circumstances at the time of valuation.

In order to calculate the generic hedging, given that the Entity does not have sufficient historical and statistical experience, it has used the method established in Appendix IX of Circular 4/2004 which contains the parameters established by the Bank of Spain. These are based on the Bank's experience and its information regarding the sector and determine the method and amount to be used for hedging of inherent impairment losses incurred on debt securities and contingent exposures classified as normal risk. The parameters are modified periodically according to the evolution of the aforementioned data. The provision is equal to the sum of the result of multiplying the value, positive or negative, of the variation in the period of the amount of each of the risk types by the parameter α to which it corresponds, plus the sum of the result of multiplying the total amount of transactions included in each of the risk types at the end of the period by its corresponding parameter β, less the amount of the total net provision for specific hedging made in the period. The latter is understood to be the provision for specific hedging of customer loan loses on debt securities and contingent exposures, less the redemption of the aforementioned specific hedging and defaulted assets realised in this period, excluding country risk provisions. The amounts of the α and β parameters according to risk type are as follows:

	Parameters	
	α	β
Negligible risk	0.00%	0.00%
Low risk	0.60%	0.11%
Medium-low risk	1.50%	0.44%
Medium risk	1.80%	0.65%
Medium-high risk	2.00%	1.10%
High risk	2.50%	1.64%

The total balance of generic hedging thus determined shall be, at all times, between 33% and 125% of the amount obtained by summing the product of multiplying the amount of each type of risk by its corresponding parameter α.

At 31 December 2007 and 2006 the Entity's generic hedging rate stood at 125%.

> Country risk

Similarly, debt securities not measured at their fair value through profit or loss and contingent exposures, whoever the customer, are analysed in order to determine the credit liability caused by country risk. Country risk is the risk undertaken by customers resident in a certain country due to circumstances other than the normal trade risk.

3.4. Hedging

The Entity uses financial derivatives traded on official markets or traded bilaterally over the counter (OTC), using as underlying items, interest rates, certain indexes, prices of securities, exchange cross rates of different currencies, or other similar references.

Financial derivatives are used to negotiate with customers who request them, to manage risks of the Entity's own positions (hedging derivatives) or to benefit from their price changes. Financial derivatives that cannot be considered as hedges are considered as trading derivatives.

In order for a financial derivative to be considered a hedge the following conditions must be met:

> It should cover (i) the risk of variations in the value of assets and liabilities due to fluctuations in interest rates and/or exchange rates -fair value hedges-, (ii) the risk of changes in estimated cash flows of financial assets and liabilities, commitments and transactions considered to be highly probable -cash flow hedges- or (iii) the risk of net investment in a foreign business -hedges of net investments in foreign operations-.

> It should effectively eliminate any inherent risk to the hedged element or position throughout the forecast hedging period. This implies that from the moment of contract it is expected to act with a high level of effectiveness (prospective effectiveness) and sufficient evidence exists that the hedge has been effective during the life of the hedged element or position (retrospective effectiveness). This is shown when the results of the hedge have fluctuated between the variation range of eighty and one hundred and twenty five per cent with regard to the result of the covered item.

The Entity assures the prospective and retrospective effectiveness of its hedges by performing the corresponding effectiveness tests applied using the "dollar offset" method of effectiveness, which consists of proportionally comparing the variations that have occurred and those predicted, either of fair values or cash flow, of both the hedged item and the hedge.

> The financial derivative contract must suitably document that it was entered into specifically to hedge certain balances or transactions and the form in which the effective hedge is expected to be obtained and measured, provided that this is coherent with the management of own risk carried out by the Entity.

Interest rate hedges can be applied to individual items or balances or to financial asset and liability portfolios exposed to this risk. In the latter case, all financial assets and liabilities to be covered should share the same type of risk, understood to be when the sensitivity to changes in interest rates of the individual items covered is similar.

The Entity classifies its hedges according to the type of risk they cover for fair value hedges, cash flow hedges and net investment in foreign business hedges:

> Fair value hedges: the gain or loss that arises from measuring hedging instruments at fair value, as well as that attributable to the hedge, is taken directly to the income statement, even when the hedged item is measured at its amortised cost or is a financial asset included in the available-for-sale financial assets category.

When the hedged item is measured at its amortised cost, its accounting value is adjusted by the amount of the gain or loss recorded in the income statement as a result of the hedge. Once the hedging of an item's variations in fair value ends, the amount of the adjustment is recorded in the income statement using the effective interest rate method, recalculated on the date that it ceased to be adjusted, and should be totally amortised at the hedged item's maturity.

> Cash flow hedges: gains or losses that result in the valuation of a hedged instrument at fair value (for the effective portion of the hedge) are registered temporarily in "Valuation adjustments" in Equity. The part of the value of the instrument that corresponds to the ineffective portion of the hedge is taken directly to the income statement.

  Gains and losses accumulated on hedged instruments and shown under "Valuation adjustments" in Equity remain there until they are booked in the income statement for the period that the items designated as hedges affect the said statement, unless the hedging corresponds to a transaction that will ultimately be recognised as a non-financial asset or liability, in which case the amounts registered in equity are included in the cost of the asset or liability when it is acquired or assumed. If all or part of a loss registered temporarily in Equity is not expected to be recovered in the future, its amount is immediately reclassified to the income statement.

  When a hedge is discontinued, the accumulated result of the hedged instrument recorded under "Valuation adjustments" in equity whilst the hedge was effective remains in the said caption until the hedged transaction is realised, at which time the criteria described in the previous paragraph is applied, unless it is predicted that the transaction will not be carried out, in which case it is taken directly to the income statement.

> Net investments in foreign business hedges: the gain or loss attributed to the portion of the hedging instrument (for the effective portion of the hedge) is registered directly under "Valuation adjustments" in equity. The remainder of the gain or loss of the instrument is taken directly to the income statement.

Amounts of gains or losses on hedge instruments registered directly in equity remain there until they are disposed of or written off, at which time they are recorded in the income statement.

The Entity uses hedges fundamentally for the hedging of exposure to variations in the fair value of its financial instruments due to:

> Interest rates: fundamentally of certain liabilities linked to fixed interest rates.

> Market: for certain structured liabilities whose payment is linked to the evolution of stock market indexes and certain assets classified as available-for-sale whose fair value is exposed to variations in fluctuations of stock exchange indexes.

The instruments used to carry out the aforementioned hedges are mainly interest rate swaps, equity swaps, index options and financial futures (Note 6.6.). Note 6.1. explains the policies established by the Entity for managing the risks to which it is exposed.

3.5. Transfers and write-offs of financial assets

In accordance with Regulation 23 of Bank of Spain Circular 4/2004 of 22 December 2004, a financial asset is written off the Entity's balance sheet under any the following circumstances:

> When contractual rights to the cash flows generated have expired.

> When all contractual rights to receive cash flows generated are wholly transferred or when, despite these rights still being held, the contractual obligation to pay them to the ceding party is assumed.

> When, whilst neither transmission nor substantial retention of risks and benefits exists, the control of the financial asset is transferred subsequent to assessment in line with the terms set out below.

The term transferred financial asset is used to refer to either all or part of the financial asset or to a group of similar financial assets.

Transfers of financial instruments are registered taking into account the way in which the transfer of all risks and benefits associated with the instrument was carried out, based on the following criteria:

> If the risks and benefits are substantially transferred to a third party, such as in the case of outright sales, sales with repurchase option at fair value on the date of repurchase, sales of financial assets with call option acquired or put option issued deeply out-of-the-money, securitised assets for which the grantor does not retain subordinated financing nor grants any type of credit improvement to the new holders, the transferred financial instrument is written off and any right or obligation retained or created as a result of the transfer is simultaneously recorded.

> If the risks and benefits associated with the transferred financial instrument are substantially retained, such as in sales of financial assets with repurchase agreement for a fixed price or for the sale price plus interest, securities lending contracts for which the borrower has the obligation to return the same or similar assets, transfers in which the Entity retains subordinated financing that substantially absorb the expected losses, the instrument is not written off and continues to be measured using the same criteria as prior to the transfer. However, the associated financial liability for an amount equal to the compensation received, which is later measured at its amortised cost, the income of the transferred financial asset that has not been written off and the expenses of the new financial liability, are all booked accordingly.

> If the risks and benefits associated to the transferred financial instrument are neither substantially transferred nor retained, such as in the case of sales of financial assets with call option acquired or put option issued that are not deeply in-the-money or out-of-the-money, asset-backed securities for which the ceding party assumes subordinated financing or other type of credit improvement for part of the transferred asset, distinction is made between:

- The Entity not retaining control of the transferred financial instrument, in which case it is written off and any right or obligation retained or created as a result of the transfer is recorded.

- The Entity retains control of the transferred financial instrument, in which case it continues to be registered in the balance sheet for an amount equal to the exposure to changes in value that it could experience and a financial liability associated to the financial assets is recorded. The net amount of the transferred assets and of the associated liability is the amortised cost of the rights and obligations retained if the transferred asset is measured at its amortised cost or, if it is measured at its fair value, it is calculated as the fair value of the rights and obligations retained.

Therefore, financial assets are only written off when the cash flows they generate have expired or when the risks and benefits implicitly related thereto have been substantially transferred to a third party.

Similarly, financial liabilities are only written off when the obligations they generate have expired or when they are acquired with the intention of cancelling or subsequently relocating them.

For all intents and purposes, the Entity will apply, to all write-offs of financial assets and liabilities that arise, other than derivative instruments, the aforementioned write-off requirements, as of the financial year commenced on 1 January 2004. Financial assets and liabilities for transfers taking place prior to 1 January 2004, other than derivative instruments, written off as a result of the application of previous legislation, will not be registered unless they should be recorded due to a subsequent transaction or event. The amounts devised for the hedging of contributions to securitised funds, subordinated values, financing and credit commitments of any type that, in the settlement of the said funds, are placed, for the purposes of priority-based granting of loans, after non-subordinated values, will be released proportionally to the expiry of the financial assets, unless new evidence of impairment exists, in which case the necessary provisions for their hedging will be made.

3.6. Financial guarantees

Financial guarantees are contracts for which the Entity is obliged to pay specific amounts on behalf of a third party in the event that they do not pay, irrespective of its legal form which may be, inter alia, guarantee, financial or technical guarantee and irrevocable documentary credit issued or confirmed by the Entity, insurance contracts, as well as credit derivatives for which the entity acts as protection trader.

Financial guarantees are classified according to the customer's or the operation's bad debt risk and, where appropriate, the need to set up provisions is considered by applying criteria similar to those described in Notes 3.1. and 3.3. for debt securities valued at amortised cost.

When contracts of this type are issued by the Entity, they are recorded at fair value under the liabilities caption “Accruals” and simultaneously as “Other financial assets” under “Loans and receivables” at the current value of future cash flows pending receipt using, for both entries, a discount rate similar to the financial assets granted by the Entity to a counterpart with a similar risk and term. Subsequent to issuance, the value of the contracts recorded in “Other financial assets” is restated, reflecting the differences as financial income and the fair value of the guarantees registered in “Accruals” will be imputed on a straight-line basis throughout its useful life as fee and commission income.

Should it become necessary to set up a provision for financial guarantees, commissions pending accrual, that are recorded under the liabilities caption “Accruals” in the accompanying balance sheet, will be reclassified to the corresponding provision.

3.7. Non-current assets held for sale

The balance sheet caption “Non-current assets held for sale ” includes the carrying value of individual items included in a disposal group or forming part of a business unit that is to be disposed of (discontinued operations), the sale of which is highly probable in the current asset conditions within one year from the date of the annual accounts.

Consequently, the recovery of the carrying value of these items, which may be either financial or non-financial, shall be obtained through the price obtained upon disposal, rather than from continued use.

Property or other non-current assets received by the Entity as total or partial settlement of payment obligations to its debtors are considered non-current assets held for sale , unless the Entity decides to continue the use of these assets.

The caption “Liabilities associated with non-current assets held for sale ” includes creditor balances associated with the Entity's disposal groups or discontinued operations.

Assets classified as “Non-current assets held for sale ” are generally valued at the lower of either their carrying amount at the time in which they are considered as held for sale, or their fair value, less estimated sale costs. Whilst they remain classified as “Non-current assets held for sale ”, depreciable tangible and amortisable intangible assets are not depreciated/amortised.

Should the carrying value exceed the fair value of the assets net of their sale costs, the Entity would adjust the carrying value of the assets by the amount of said excess, with a balancing entry in “Impairment losses (net) - Non-current assets held for sale ” in the income statement. Should increases be later registered in the fair value of the assets, the Entity reverts the losses previously booked, increasing the carrying value of the assets up to the limit of the amount of its value prior to its possible impairment with a balancing entry in “Impairment losses (net) - Non-current assets held for sale ” in the income statement.

The results generated during the year by those components of the Entity considered to be discontinued operations, are registered in “Profit/(Loss) on discontinued operations (net)” in the income statement, both if written off and if remaining on the balance sheet at year end.

3.8. Investments in subsidiaries, jointly controlled and associate companies

Details of the Entity's investments, as well as the most relevant information, are included in Note 9 and in Appendix I. The Entity classifies its investments in subsidiaries, jointly controlled or associate companies according to the following criteria:

> Subsidiaries: are those that, together with the Entity, form a group of entities when setting up a decision unit. The Entity presumes that a decision unit exists when it holds the majority of voting rights, it has the power to appoint or dismiss the majority of the members of the governing board, it can have, by virtue of agreements made with other members, the majority of voting rights or has designated its votes exclusively to the majority of the members of the governing board.

> Jointly controlled: are those entities that are not subsidiaries and that, in accordance with a contractual agreement, are jointly controlled by two or more entities, amongst which is the Entity or other entities of the group.

> Associates: are those entities over which the Entity, individually or jointly with the rest of the group entities, has a significant influence but which are not subsidiaries or jointly controlled entities. For significant influence to exist the Entity considers, amongst other situations, representation on the Governing Board, or equivalent board of directors of the partly-held entity, involvement in the policy-making process, including those related to dividends and other distributions, existence of significant transactions between the Entity and the partly-held entity, exchange of senior management staff and the provision of essential technical information.

Investments in subsidiaries, jointly controlled and associate companies are recorded at cost, adjusted for impairment losses when such evidence exists. In order to calculate impairment losses, the Entity compares the recoverable value (i.e. the largest amount between fair value less necessary sale costs and value in use) with the carrying value. Impairment losses, plus those amounts recovered on the basis of this valuation are taken directly to the Entity's income statement.

3.9. Tangible assets

Tangible assets includes property, land, furniture, vehicles, computer equipment and other fixtures that are the property of the Entity or are acquired through lease financing. Tangible assets are classified according to their use as: tangible assets for own use, investment properties, other assets leased out under an operating lease and tangible assets assigned to the Education and Development Fund.

Tangible assets for own use mainly includes offices and bank branches, both existing as well as under construction, owned by the Entity.

The cost of tangible assets includes payments made both initially at their acquisition and production, and subsequently in cases of extension, replacement or improvement, when, in both cases, it is deemed likely that future economical benefits will be generated from their use. In accordance with section B).6 of the First Temporary Provision of Circular 4/2004 on first-time application of this circular, the acquisition cost of freely available tangible assets for own use includes the fair value measurement of the said elements on 1 January 2004 at fair value, which is the cost attributed thereto at that date. The said fair value at 1 January 2004 has been calculated based on measurements carried out by independent experts. Moreover, tangible assets arising from business combinations are stated at fair value at the date of the said combination, this being the corresponding new cost attributed (Notes 2.6 and 3.24).

With regard to tangible assets awarded in foreclosure, the acquisition cost corresponds to the net amount of the financial assets awarded.

The acquisition or production cost of tangible assets, excluding sites and plots of land, net of their residual value (these are understood to have an indefinite life and, therefore, are not subject to depreciation), are depreciated on a straight-line basis over the years of estimated useful life of the different assets, according to the following rates:

	Years of useful life	Annual depreciation rate
Property	50	2%
Furniture	10	10%
Installations	10-5	10%-20%
IT equipment	4	25%

The Entity, at least at the end of the financial year, revises the estimated useful life of tangible assets for own use, with the aim of detecting significant changes therein. Should these arise, adjustments would be made by correcting the corresponding depreciation charge in the income statement of future financial years in line with the new useful life.

Maintenance costs that do not increase the useful life of the assets, are recorded in the income statement in the year in which they are incurred.

Financial expenses incurred in the financing of the acquisition of tangible assets do not increase the acquisition cost and are registered in the income statement for the financial year in which they accrue.

Assets acquired by deferred payment are recorded at their cash price, recording an equivalent liability for the outstanding amount. In those cases where the deferral exceeds the normal deferral period (180 days for real estate, 90 days for the remainder) the expenses derived from the deferral are discounted from the acquisition cost and charged to the income statement as financial expenses.

Tangible assets are written off when they are disposed of, even when leased out under an operating lease, or when they remain permanently withdrawn from use and no future economical benefits are expected from their disposal, ceding or abandonment. The difference between the sale amount and the carrying value is registered in the income statement in the period in which the asset is written off.

The Entity periodically assesses the existence of indications, both internal and external, that a tangible asset could be impaired at the financial statements date. For this purpose, the recoverable amount of the tangible assets is measured as the highest of: (i) its fair value less necessary sale costs, and (ii) its use value. If the recoverable cost, thus determined, is less than the carrying value, the difference between the two is registered in the income statement, reducing the carrying value of the assets to the recoverable amount.

The accounting principles applied to assets leased out under an operating lease, non-current assets held for sale and assets assigned to the Education and Development Fund are the same as those described in relation to tangible assets for own use in this Note.

Investment properties under tangible assets correspond to the net values of land, buildings and other constructions held by the Entity for their renting or in order to obtain capital gains at their sale as a result of future increases in their respective market prices.

3.10. Intangible assets

Intangible assets are identifiable non-monetary assets which have no physical presence. Intangible assets are considered to be identifiable when they can be separated from other assets because they can be disposed of, leased or availed of individually, or they arise as a consequence of a contract or other type of legal business. An intangible asset is recognised when, as well as satisfying the aforementioned definition, the Entity considers the receipt of economical benefits derived from the said item to be probable and the cost thereof can be reliably valued.

Intangible assets are registered initially at cost of acquisition or production and are subsequently valued at their cost less accumulated amortisation, if any, and less any impairment losses. Years of useful life and amortisation rates used for intangible assets have been established, respectively, at 3 years and 33%, since the said intangible assets mainly comprise computer applications.

The remaining intangible assets could have an indefinite useful life, when, based on analyses carried out of all relevant factors, the conclusion is reached that no predictable limit exists for the period during which they are expected to generate net cash flows in favour of the Entity, or a definite useful life. Amortisation is not provided for intangible assets with an indefinite useful life, however, at each year end, the Entity revises their respective remaining useful lives with the aim of assuring that they continue to be indefinite and, otherwise, proceeding accordingly. Intangible assets with a definite life are amortised accordingly, applying rates similar to those used for tangible assets.

At 31 December 2007 and 2006, the Entity did not have any intangible assets with an indefinite useful life.

In any event, the Entity accounts for any impairment losses that may have been incurred in the recorded value of these assets, with a balancing entry in the income statement. The criteria for measuring impairment losses and, where appropriate, recovery of impairment losses recorded in previous years are similar to those applied to tangible assets.

3.11. Leases

Lease contracts are recorded according to the economic sum of the operation irrespective of its legal format and are classified from the beginning as financial or operating leases.

> A lease is considered to be a financial lease when all the risks and benefits inherent to the ownership of the contracted assets are substantially transferred.

When the Entity acts as lessor of a good, the sum of the current values of the amounts that it will receive from the lessee, plus the guaranteed residual value, normally the price of exercising the lessee's call option at the end of the contract, is recorded as financing granted to third parties, and is therefore included in “Loans and receivables” in the accompanying balance sheet, in accordance with the nature of the lessee.

On the other hand, when the Entity acts as lessee, it records the cost of the leased assets in the balance sheet, according to the nature of the contracted good and simultaneously registers a liability for the same amount, that will be lower of the fair value of the leased good or the sum of current values of the instalments payable to the lessor, plus, where appropriate, the price of exercising the call option. These assets are amortised using criteria similar to those applied to tangible assets for own use as a whole.

Financial income and expenses arising from these contracts are credited and debited, respectively, in the income statement so that the yield remains constant throughout the duration of the contracts.

> Lease contracts that are not considered to be financial leases are classified as operating leases.

When the Entity acts as lessor, the acquisition cost of the leased goods is recorded in “Tangible assets”. The criteria applied by the Entity for the recognition of the acquisition cost of assets contracted under operating leases, for their amortisation, for the valuation of their respective useful lives and the registering of impairment losses, coincide with those described in relation to tangible assets for own use. Income from lease contracts is recorded in the income statement on a straight-line basis.

On the other hand, when the Entity is the lessee, the lease expenses including incentives granted, where appropriate, by the lessor, are registered on a straight-line basis in the income statement.

3.12. Foreign currency transactions

For the purposes of these annual accounts, the working currency and that used for presentation is the euro. Therefore any currency other than the euro is considered to be foreign currency.

In the initial recognition, creditor and debtor balances in foreign currency have been converted to euros using the spot exchange rate. Subsequently, the following rules are applied for the translation of foreign currency balances:

> Monetary assets and liabilities have been converted to euros using the average, official spot exchange rates published by the Central European Bank at each year end.

> Non-monetary items valued at historical cost have been converted at the exchange rate prevailing on the acquisition date.

> Non-monetary items valued at fair value have been converted at the exchange rate prevailing on the date the fair value was determined.

> Income and expenses have been converted at the exchange rate prevailing on the transaction date.

> Depreciation and amortisation have been converted at the exchange rate applied to the corresponding asset.

Exchange gains or losses arising from the translation of foreign currency balances are taken to the income statement, except for those arising from non-monetary items valued at fair value, whose fair value adjustment is recorded against equity, separating the exchange rate component from the revaluation of the non-monetary element.

At year end 2007 the Entity's total assets expressed in foreign currency amount to Euros 79,881 thousand (Euros 51,814 thousand in 2006) and total liabilities expressed in foreign currency come to Euros 74,733 thousand (Euros 48,190 thousand in 2006) - Note 6.1.b.3-.

3.13. Other provisions and contingent exposures

The Entity distinguishes between provisions and contingent exposures. Provisions are current obligations of the Entity, arising as a result of past events, that are clearly specified in terms of type at the date of the financial statements, but are indeterminable in terms of amount or moment of cancellation, and at the maturity of which, and for their cancellation, the Entity considers it should rid itself of resources that entail economic benefits. The said obligations could arise from the following:

> A legal or contractual provision

> An implicit or tacit obligation arising from a valid expectation created by the Entity before a third party in relation to the assumption of certain types of responsibilities. The said expectations are created when responsibilities are publicly accepted or are derived from past performance or business policies in the public domain.

> The almost certain evolution of regulation governing certain aspects, particularly regulatory projects from which the Entity cannot withdraw.

Contingent exposures are possible obligations of the Entity, arising as a result of past events, whose existence depends upon the fulfilment of one or more future events which are out of the Entity's control. Contingent exposures include current obligations whose cancellation is unlikely and that arise as a result of a reduction in resources that provide economic benefits or whose amount, in extremely rare cases, cannot be quantified with sufficient reliability.

Provisions and contingent exposures are qualified as probable when it is much more likely than not that they will occur, possible when it is more likely than not that they will occur, and remote when the likelihood of their arising is extremely rare.

The Entity includes in the annual accounts all significant provisions for which it estimates that the probability of having to fulfil the obligation is more likely than not. Contingent exposures are not booked in the annual accounts but their existence is notified, unless the possibility of an outflow including economic benefits is considered remote.

Provisions are quantified taking into consideration the best available information with regard to the consequences of the event that caused them and are estimated at each year end. They are used to deal with the specific obligations for which they were recorded, and are fully or partially reversed when the said obligations cease to exist or decrease.

At the close of 2007 and 2006 certain legal proceedings and claims filed against the Entity in relation to the development of its normal activity were underway. Both the Entity's legal advisors and the Administrators consider that the outcome of these proceedings and claims will not have a significant effect other than, where appropriate, the balance included as a provision, in the annual accounts of the year in which they conclude.

3.14. Education and Development Fund

Mandatory appropriations made by the Entity to the Education and Development Fund are recorded as expenses for the year. If additional appropriations are made they are booked as an application of profits. In accordance with article 55.3 of the Entity's Articles of Association, the mandatory appropriation to the Education and Development Fund is set at 10% of the surplus available from the distribution of profits (Note 5).

Grants, donations and other aid associated with the education and development fund in accordance with the law, or funds derived from economic sanctions imposed on the members, associated with the fund are recorded as income from the cooperatives and simultaneously the same amount is appropriated to the fund.

3.15. Asset Swaps

Tangible asset and intangible asset swaps are acquisitions of this type of asset in exchange for other non-monetary assets or a combination of monetary and non-monetary assets, except assets awarded in foreclosure, which are treated according to the treatment established for “Non-current assets held for sale ”.

The assets received from an asset swap are recorded at the fair value of the delivered asset plus the monetary compensation delivered in exchange, if any, unless there is clearer evidence of the fair value of the asset received.

3.16. Capital adequacy

Spanish legislation regarding capital adequacy is governed by Law 13/1992, of 1 June and Bank of Spain Circular 5/1993 and its subsequent modifications, establishing the minimum capital requirements that Spanish credit entities must maintain, both individually and as a consolidated group, and the method of calculating the eligible capital base.

Moreover, section 8 of Bank of Spain Circular 5/1993 sets forth the information obligations arising as a result of Law 5/2005 dated 22 April applicable to Mixed Groups.

On 31 December 2007 and 2006, the eligible capital base of the Entity and the Mixed Group exceeded the disclosure requirements established in the aforementioned legislation (Note 18).

3.17. Commissions

The Entity classifies the commissions it charges or pays within the following categories:

> Financial commissions: This type of commission, which form an integral part of the yield or effective cost of a financial operation and which is charged or paid in advance, is recorded in the income statement throughout its expected financing life, net of the associated direct costs, as an adjustment to the cost or effective yield of the operation.

> Non-financial commissions: This type of commission arises from services rendered by the Entity and is registered in the income statement throughout the duration of the service or upon performance if related to a service that is carried out in one action.

3.18. Deposit Guarantee Fund

In accordance with Spanish Royal Decree 2606/1996,of 20 December, regarding Credit Entity Deposit Guarantee Funds, modified by Royal Decree 948/2001 of 3 August, regarding investor compensation methods, the annual contribution to the Deposit Guarantee Fund of Credit Cooperatives is 2 per thousand of the calculation base formed by guarantee deposits (credit balance on account plus nominal certificates of deposit) and by 5 per cent of the quoted value on the last business day of the year, in the corresponding unofficial market, of the guaranteed securities (negotiable and financial instruments that have been entrusted to the credit entity in Spain or in any other country for deposit or registration or for carrying out an investment service) existing at the end of the financial year.

When the net worth of the Deposit Guarantee Fund reaches a sufficient amount to fulfil its objective, the Ministry of Economy, at the Bank of Spain's suggestion, can agree to a reduction in the aforementioned contributions. In any event, contributions are suspended when the net worth of the fund not engaged in operations related to the fund's objective are equal to or exceed 1 per cent of the calculation base of the planned contributions.

For 2007 and 2006, in accordance with the requirements of the Ministry of Economy, the amount of Credit Cooperatives' contributions to the Deposit Guarantee Fund is set at 0.8 per thousand of the calculation base. This means the Entity contributes for 2007 and 2006, Euros 8,227 and Euros 7,156 thousand, respectively, expensed under “Other operating expenses” in the accompanying income statements (Note 23).

3.19. Income tax

The income tax expense is determined by the tax payable on the taxable profits of each financial year, taking into consideration the variations during the said year derived from timing differences, applicable credits and deductions and, where applicable, tax loss carryforwards.

The income tax expense is registered in the income statement except when the transaction is recorded directly in equity in which the deferred tax liability is registered as an additional equity item.

In order for deductions, credits and tax loss carryforwards to be effective, they should comply with the requirements established in prevailing legislation.

The tax effect of timing differences is included, if any, in the corresponding deferred tax asset and liability captions under “Tax assets” and “Tax liabilities” in the accompanying balance sheet. These correspond to taxes that are expected to be payable or recoverable in the differences between the asset and liability amounts booked in the financial statements and the corresponding taxable bases and are quantified by applying, to the corresponding timing difference or tax credit, the tax rate at which recovery or payment is expected.

The applicable tax rate for 2007 and 2006 was the reduced rate of 25% on cooperative profits and the general rate on non-cooperative profits was 32.5% and 35%, respectively.

At each year end, the deferred tax assets and liabilities recorded are revised with the aim of verifying that they are restated and adjusted accordingly.

3.20. Recognition of income and expenses

In general, income is recognised at the fair value of the amount received or to be received, less discounts, deductions or sales discounts. When the cash inflow is deferred over time, the fair value is determined by deducting the future cash flows.

Income and expenses due to interest and similar items are generally booked according to their accrual period and by applying the effective interest rate method.

Dividends received from other entities are taken to income when the right to receive them arises.

Commissions paid or charged for financial services, irrespective of their contractual denomination, are classified in the categories of financial and non-financial commissions (Note 3.17.), thereby determining their recording in the income statement.

Fee and commission income and expenses are recorded in the income statement generally according to the following criteria:

> Those linked to financial assets and liabilities valued at fair value through profit or loss are booked when collected.

> Those corresponding to transactions or services carried out over a period of time are booked over the duration of the said transactions or services.

> Those corresponding to a transaction or service that is carried out at one single action are booked when it occurs.

Non-financial income and expenses are registered according to the accrual principle.

Deferred charges and payments are recorded at the amount resulting from restating the estimated cash flows at market rates.

3.21. Personnel expenses and post-employment benefits

Short-term remuneration

Short-term remuneration for employees are remunerations paid before the twelve months following the close of the year in which the employees have rendered their services. These remunerations are valued, without restating, at the amount to be paid for services received and are booked as personnel expenses for the year and as an accrual equivalent to the difference between the total expense and the amount already paid.

Post-employment benefit

Post-employment benefits (or pension commitments) are compensation paid to employees following the termination of their period of employment. This post-employment remuneration, including that covered by in-house or external pension funds, is classified as defined contribution plans when the Entity makes set contributions to a separate entity or defined benefits plans for which the Entity commits to paying a quantity when the contingency takes place. This classification is carried out according to the conditions of the said obligations, taking into account all the commitments assumed both included and excluded in the terms formally agreed with the employees.

> Defined contribution plan

The Entity recognises the contributions to these plans by expensing the amounts under "Personnel expenses" in the accompanying income statements and crediting "Pension funds and similar obligations" under the "Provisions" caption in the accompanying balance sheets. Contribution payments are recorded against "Provisions for pensions and similar obligations".

> Defined benefit plan

The Entity calculates the current value of the legal and implicit obligations of its defined benefit plan at the date of the financial statements, after deducting any actuarial loss minus any actuarial gain, the cost of past services pending recognition and the fair value of the plan's assets, including insurance policies, if they fulfil the following conditions:

- They belong to a legally separated third party that is not legally bound.

- They are available exclusively for paying or financing commitments with employees.

- They cannot be returned to the Entity unless the assets remaining in the plan are sufficient to cover all the commitments held with employees or to repay the Entity the benefits it has settled.

- They are not non-transferable financial instruments issued by the Entity.

The figure obtained according to the above is booked as “Pensions and similar obligations” under the “Provisions” caption in the accompanying balance sheets if it is positive or under “Other assets” if negative (Notes 14 and 15).

In the event that the figure calculated in this manner is negative, and the absolute value of the figure exceeds the sum of any net actuarial loss and the cost of the past services pending recognition, plus the current value of any economic benefit available in the form of refunds from the plan or reductions in the future contributions thereto, the recorded asset is only the latter.

Post-employment benefits in the form of defined benefit plans are recorded in the income statement as follows:

- The cost of the services of the current period, understood to be the increase in the current value of the defined benefit obligations arising as a result of the services rendered by employees during the year as “Personnel expenses”.

- The cost of interest, understood to be the increase in the current value of defined benefits obligation during the period as a result of time passing as “Interest expense and similar charges”.

- The expected performance of any asset of the plan as well as any refund right understood to be interest, dividends and other income, together with the gains and losses of these assets, even when unrealised, less any administrative cost of the plan and taxes that affect it, as “Interest and similar income”.

- Actuarial gains and losses understood to be those resulting from differences between previous actuarial hypotheses and reality, and those which arise from changes in the actuarial hypotheses used, registered during the year under “Provisioning expenses (net)”.

- Cost of past services corresponding booked as “Provisioning expenses (net)”.

- The effect of any type of reduction or settlement of the plan under “Provisioning expenses (net)”.

- The effect, if any, of applying the limitation with respect to the assets to be included in the balance sheet as stated in the previous section.

The measurement of all the obligations derived from the defined benefits plans is carried out by a qualified actuary.

The Entity records a deferral of actuarial gains and losses over the following five financial years using a fluctuation margin.

Other long-term remuneration of employees

Commitments held with employees taking early retirement, seniority bonuses, pension commitments relating to widowhood and disability prior to retirement that depend on the employee's length of service in the Entity and other similar concepts, if any, are treated in accordance with the requirements for defined benefits of post-employment plans, with the proviso that all past service costs and actuarial gains and losses are recorded immediately.

Compensation for termination of employment

Compensation for termination of employment is recorded under “Personnel expenses” in the accompanying income statements, crediting “Pensions and similar obligations” under “Provisions” in the accompanying balance sheet only when the Entity is demonstrably committed to cancelling the labour relation held with the employee or group of employees before the standard retirement date, or to pay compensation for termination of employment in the event of an offer made to encourage voluntary redundancy.

Commitments for pensions contracted by the Entity

Commitments for pensions contracted by the Entity on behalf of the personnel rendering their services thereto are set forth in the prevailing Collective Labour Agreement and in the corresponding agreements held with the Governing Board, ratified by the General Assembly.

The Entity has set up Pension plans with Fondo Cajamar VI, Fondo de Pensiones and Fondo Cajamar VII, Fondo de Pensiones, governed by the Regulation of 23 December 1993, adapted to Law 8/1987 regarding the Regulation of Pension Plans and Funds. Cajamar Vida, S.A. de Seguros y Reaseguros is the managing entity and Cajamar the depository entity of both funds. Additionally, the Entity holds insurance policies with the companies La Estrella de Seguros and Cajamar Vida, S.A. de Seguros y Reaseguros for those cases in which the necessary contribution exceeds the limit for the pension plans. Moreover, the commitments undertaken with Entity personnel who have been transferred from different banking entities, whose branch networks have been partially acquired, and whose length of service is recognised prior to 8 March 1980, have been insured by the Entity with the insurance company Rural Vida, S.A. de Seguros y Reaseguros, the company which also insures the commitments stipulated in the Collective Agreement applicable to the employees from Caja Rural del Duero, Sociedad Cooperativa de Crédito.

Contingencies relating to work-related deaths and disability are covered through a series of insurance policies held with La Estrella de Seguros.

With regard to defined contribution commitments, for its personnel with more than two years of service who are not included in the defined benefit retirement pension supplement included in Sub-plan B of the Pension Plan, the Entity has undertaken an annual contribution of the amount corresponding to the higher of 50% of the basic wage on the pay slip for the month of December each year, or the result of applying 75% to 50% of the total monthly ordinary pay slip for the month of November each year.

The defined benefit commitments considered by the Entity are:

- Supplement of the Social Security pension, defined by the difference between this amount and the ordinary salary of the last month of active service, for personnel recruited up to 31 December 1984 from the former Caja Rural de Almería, Sociedad Cooperativa de Crédito and for the personnel from the various banking entities partially taken over, who had this right in their original entity.

> Supplement of the widowhood and orphanage pensions under the terms established by the Collective Labour Agreement and the Pension Plan Regulations for all Entity personnel.

> Compensation in the event of death or total disability (Euros 20.32 thousand), for occupational accident (Euros 40.64 thousand) or for declaration of major disability (Euros 67.26 thousand), for all Entity personnel.

> Loyalty bonus for all Entity personnel retiring after more than twenty years of service, consisting of three ordinary monthly salary instalments.

The Entity has acquired with some of its employees commitments derived from early retirement agreements, for which it has funds to cover these acquired commitments with early retirement personnel, both relating to salaries and other social charges, from the moment of their early retirement until the date of their effective retirement and the coverage of remuneration created after the date of effective retirement is supplemented.

At 31 December 2007 and 2006 the Entity had no commitments for termination of employment.

At 31 December 2007 and 2006 actuarial studies have been carried out regarding the cover of the main commitments for post-employment remuneration, using the projected unit credit method of calculation. The main hypotheses used in the actuarial studies, both for retired and early-retired personnel, are the following:

	2007		2006	
	Active	**Early retired**	Active	Early retired
Mortality tables	PERM/F 2000	PERM/F 2000	PERM/F 2000	PERM/F 2000
Disability tables (only risk benefit)	n/a	n/a	According to Spanish MO rates	n/a
Retirement Age				
Pension Plan	65	From 58	65	From 58
Collective Labour Agreement for banks	Earliest age	From 58	Earliest age	From 58
Effective annual technical interest rate:				
Pension Plan	4.00%	4.00%	4.00%	4.00%
Collective Labour Agreement for banks	4.00%	4.00%	4.86%	4.00%
Yield on assets:				
Pension Plan	4.00%	4.00%	2.27%	4.00%
Bank Agreement	4.00%	4.00%	5.01%	4.00%
Salary evolution (including drifts)	3.50%	3.50%	3.50%	2.00%
Increase in consumer prices (CPI)	2.00%	-	2.00%	-
Increases in pensions	75% salary increment	-	75% salary increment	-
Maximum Social Security Pension (thousands of euros)	31	31	30	30
Annual revaluation of the monthly Social Security pension Security pension	2.00%	-	2.00%	-
Annual increase of Social Security contribution bases	According to CP	-	According to CP	-

The expected yield on the Plan's assets are the following:

	Expected income from assets	
	2007	**2006**
Pension Plan	4.00%	3.81%
Bank	4.00%	4.93%
Early Retirement	4.00%	4.00%

3.22. Off-Balance Sheet Customer Funds

The Entity includes in memorandum accounts, at fair value, the resources entrusted by third parties for their investment in investment companies and funds, pension funds, savings-insurance contracts and contracts for private management of portfolios, differentiating between funds managed by other group entities and those traded by the Entity but managed by unrelated third parties.

Additionally, within the memorandum accounts, assets acquired by the Entity on behalf of third parties and debt securities, equity instruments, derivatives and other financial instruments that are held on deposit, guarantee or commission of the Entity and for which it is responsible, are booked at fair value or, should a reliable estimate not exist, at cost.

Commissions charged for offering these services are recorded in “Fee and commission income” in the income statement.

3.23. Cash Flow Statement

In the cash flow statement, the following expressions, detailed below, are used:

> Cash Flow: inflow and outflow of cash or cash equivalents, understood to be short-term investments that are highly liquid and have low-risk value alterations.

> Operating activities: activities typical to credit entities, as well as other activities that cannot be qualified as investment or financing.

> Investment activities: acquisition, transfer or disposal by other means of long-term assets and other investments not included in cash or cash equivalents.

> Financing activities: activities that cause changes in the size and composition of liabilities and equity that do not form part of operating activities.

3.24. Business combination

In accordance with Regulation Forty-Three of Bank of Spain Circular 4/2004 of 22 December, a business combination is the union of two or more entities or independent economic entities into a sole entity or group of entities, which may come about as the result of the acquisition:

> Of equity instruments from another entity.

> Of the entire equity of another entity, such as in a merger.

> Of part of the equity of an entity that forms an economic unit, such as a network of branches.

In all business combinations the acquiring entity shall be identified and shall be the party that, at the acquisition date, acquires control of another entity or, in the event of doubt or difficulty identifying the acquiring entity, the following factors, amongst others, shall be taken into consideration:

> The size of the participating entities, irrespective of their legal classification, measures as the fair value of their assets, liabilities and contingent liabilities; in this case the acquiring entity shall be the entity that is larger is size.

> The method of payment of the acquisition, in which case the acquiring entity shall be the entity that pays in cash or with other assets.

> The persons in charge of the administration of the entity resulting from the combination, in which case the acquiring entity shall be the entity whose management team is to manage the entity resulting from the combination.

At the date of acquisition, i.e. when control is gained over the equity elements:

> The acquiring entity shall incorporate into its financial statements, or the consolidated financial statements, the assets, liabilities and contingent liabilities of the acquired entity, including its unrecorded intangible assets which, at the said date, comply with the requirements to be recorded as such, stating these at their fair value calculated in accordance with the valuation criteria set forth in Bank of Spain Circular 4/2004 of 22 December.

> The cost shall be the sum of the fair value of the assets transferred, of the liabilities incurred and of the equity instruments issued by the acquiring entity, if any; and any cost directly attributable to the business combination, such as fees paid to legal advisors and consultants to carry out the combination. Costs incurred in the contracting and issuing of financial liabilities and equity instruments shall not be included in the cost.

> The acquiring entity shall compare the cost of the business combination with the percentage acquired of the net fair value of the assets, liabilities and contingent liabilities of the acquired entity; the resulting difference of this comparison will be recorded:

- When positive, as goodwill under assets, and will under no circumstances be amortised. However, it will be subjected to the impairment analysis established in regulation thirty of Bank of Spain Circular 4/2004 of 22 December.

- When negative, as an income entry in the income statement, under “Other gains”, after verifying the fair values assigned to all the equity elements and the cost of the business combination.

To the extent that the cost of the business combination or the fair values assigned to the acquired entity's identifiable assets, liabilities or contingent liabilities cannot be definitively determined, the initial recording of the business combination will be considered provisional; in any event, the process should be completed within a maximum term of one year from the date of acquisition, with effect as of that date.

The deferred tax assets that do not meet the criteria for recording as such in the initial recording, but subsequently do meet the said criteria, shall be recorded under income in accordance with the regulation forty-two of Bank of Spain Circular 4/2004 and, simultaneously, the impairment in the carrying value of the goodwill will be recorded as an expense up to the amount that would correspond if the tax asset had been booked as an identifiable asset at the date of acquisition.

Merger with Caja Rural del Duero, Sociedad Cooperativa de Crédito

On 24 August 2007 the General Assemblies of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Duero, Sociedad Cooperativa de Crédito approved the Merger by Absorption Project drawn up and subscribed by the respective Governing Boards.

The aforementioned project set forth a merger operation in which Caja Rural del Duero, Sociedad Cooperativa de Crédito would be absorbed by Cajamar Caja Rural, Sociedad Cooperativa de Crédito. Once the required administrative authorisations were obtained, the merger deed was registered in the Mercantile Registries of Almería and Valladolid on 27 December 2007 and 20 December 2007, respectively. Thus, the effects for accounting purposes date from 27 December 2007 (Note 1.1).

As a consequence of the merger by absorption project, and given the winding up of the absorbed entity, the members of the latter have obtained a capital contribution in Cajamar Caja Rural, Sociedad Cooperativa de Crédito equivalent to a nominal value of 60.11 euros per contribution.

In accordance with this Note, Cajamar Caja Rural, Sociedad Cooperativa de Crédito has proceeded to incorporate the assets, liabilities and contingent liabilities of Caja Rural del Duero, Sociedad Cooperativa de Crédito into its financial statements, including the intangible assets unrecorded by the latter, which at the date of the merger for accounting purposes complied with the requirements for recording as such, stating these at their fair value.

The balances of Caja Rural del Duero, Sociedad Cooperativa de Crédito included in the financial statements of Cajamar Caja Rural, Sociedad Cooperativa de Crédito, prior to the valuation of their fair value, are as follows:

Assets

	Thousands of Euros
Cash and balances with central banks	8,142
Financial assets held for trading	4,671
Other financial assets at fair value through profit or loss	-
Available-for-sale financial assets	12,812
Loans and receivables	1,267,008
Memorandum item: Loaned or advanced as collateral	*70,391*
Held-to-maturity investments	9,538
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-
Hedging derivatives	177
Non-current assets held for sale	138
Investments	-
Insurance contracts linked to pensions	-
Tangible assets	29,817
Intangible assets	12
Tax assets	4,368
Prepayments and accrued income	443
Other assets	1,312
TOTAL ASSETS	**1,338,438**

Liabilities and Equity

	Thousands of Euros
Financial liabilities held for trading	68
Other financial liabilities at fair value through profit or loss	-
Financial liabilities at fair value through equity	-
Financial liabilities at amortised cost	1,242,777
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-
Hedging derivatives	924
Liabilities associated with non-current assets held for sale	-
Provisions	1,133
Tax liabilities	4,721
Accrued expenses and deferred income	3,780
Other liabilities	591
Capital having the nature of a financial liability	1,344
TOTAL LIABILITIES AND EQUITY	**1,255,338**

Equity

	Thousands of Euros
Valuation adjustments	1,025
Own funds	82,075
TOTAL EQUITY	**83,100**
TOTAL LIABILITIES AND EQUITY	**1,338,438**

MEMORANDUM ITEM

	Thousands of Euros
Contingent exposures	105,545
Contingent commitments	245,435
TOTAL MEMORANDUM ACCOUNTS	**350,980**

The aforementioned balances have been adjusted and homogenised to account for both the write-off of common balances held between the two entities and the results generated by both, as well as the valuation at fair value of the assets, liabilities and equity of the absorbed entity, in accordance with Regulation Forty-Three of Bank of Spain Circular 4/2004 of 22 December.

The main adjustments of the said valuation, the global net effect of which comes to a minimal amount, have mainly been made in the updating of the balances of loans and receivables, the revaluation of certain fixed assets and the updating of customer term deposits.

No significant differences have arisen from the comparison between the cost of the business combination and the net fair value of the assets, liabilities and contingent liabilities of the absorbed entity. Since the fair values assigned to the identifiable liabilities and contingent liabilities of the acquired entity have not been finalised, the result of the business combination will be considered provisional until a subsequent verification in accordance with Regulation Forty-Three of Bank of Spain Circular 4/2004 of 22 December.

4. Errors and changes in accounting estimates

During 2007 and up to the preparation date of the annual accounts, no error or change in accounting estimates has been made, which due to its relative importance should be included in the annual accounts prepared by the Governing Board.

The estimates described in Note 2.6 were performed on the basis of the best information available on the events analysed at 31 December 2007, however, it is possible that events that may take place in the future may oblige these to be modified (significantly increased or decreased) in the forthcoming years. Should this be necessary, it would be done in accordance with Standard Nineteen of Bank of Spain Circular 4/2004 of 22 December, recognising prospectively the effects of the change in estimate in the income statements for the corresponding years.

When an error is corrected corresponding to one or several previous years, as well as the nature of the error, the following shall be stated:

> The amount of the correction for each of the affected captions in the financial statements in each of the years presented for comparative purposes.

> The amount of the correction in the opening balance of the oldest year for which this information is available; and

> If applicable, the circumstances that make retroactive restatement impracticable and a description of how and since when the error has been corrected.

5. Distribution of profits

The proposed distribution of profits for 2007 to be submitted by the Governing Board for approval by the General Assembly, together with that already approved for 2006, is as follows:

	Thousands of Euros	
	2007	2006
Profit for the year before mandatory transfer to the Education and Development Fund and after Income Tax	131,432	117,768
Retained earnings (Profits of Caja Rural del Duero not distributed before the transfer to the Mandatory Education and Development fund and after Income Tax)	6,609	-
Interest on capital contributions (Note 17)	(28,406)	(17,348)
Interest on capital contributions recorded as financial expenses (Notes 17 and 23)	4,015	1,997
Total distributable or available surplus (Note 1.4.)	**113,650**	**102,417**
To mandatory reserve fund	90,868	81,935
To voluntary reserve fund	11,260	10,241
To education and development fund - mandatory transfer (Note 3.14. and 19)	10,832	10,241
To education and development fund - mandatory transfer by Caja Rural del Duero	602	-
To education and development fund - voluntary provision (Note 3.14. and 19))	88	-
Total distributed	**113,650**	**102,417**

The Retained earnings incorporated from Caja Rural del Duero, Sociedad Cooperativa de Crédito, have been distributed to the different provisions and to the education and development fund in accordance with the criteria set forth in the Articles of Association applicable thereto.

The distribution for 2006 corresponds to that approved by Members at the General Assembly held on 15 March 2007.

6. Financial instruments

6.1 Financial risk management

This section aims to describe the Entity's different financial risks as a result of its activity, as well as the objectives and policies for the management, assumption, measurement and control of risk, including the strategies and processes, the structure and organisation of the relevant risk management unit and the hedging policies, describing for each one the main types of financial instruments or planned transactions for which accounting hedges are used.

a) Credit risk

The increasing complexity of the financing business, an increasingly competitive environment and the need to constantly improve the efficiency of allocation of the resources available in financial activities, means that the appropriate treatment of risk inherent to banking activity is vital.

Credit risk is caused by possible loss due to incompliance with contractual obligations by the Entity's counterparties. With regard to redeemable financing granted to third parties (in the form of credit, loans, deposits, securities and others) this risk arises as a result of non-recovery of the principal, interest and other items in terms of amount, term and other conditions established in the contracts. With regard to off-balance sheet risks, the counterparty's failure to meet its obligations to third parties means that the Entity has to take them on as its own, by virtue of the commitment entered into.

The advanced management of credit risk is included within the global management framework that offers a broad view of each of the risks affecting the banking business.

With regard to the management of credit risk, in 2003 the Entity set up the “Comprehensive Risk Management” project which has enabled it to gradually incorporate a conservative policy regarding credit matters, whilst remaining in line with the most modern practices of the sector. Customer credit quality evaluation tools (ratings and scorings) have been incorporated into management.

As shown by the main balance sheet indicators, the Entity's credit business is focussed on “retail banking”. However, in order to better identify the risks, the portfolio has been segmented to allow strategic decisions to be made taking into account the characteristics of each segment.

It is also important to emphasise the efforts made by the Entity to prepare the Manual of Policies and Procedures for Credit Risk Management and Control, which was approved by the Governing Board in 2005 and includes, inter alia, the principles and criteria for guiding the said management. Hence, the requirements of Bank of Spain Circular 4/2004, Appendix IX regarding “Credit Risk” are considered fulfilled.

The Audit Committee and the Internal Auditing Area are the bodies entrusted to ensure that the aforementioned policies and procedures are appropriate, are effectively implemented and are regularly reviewed.

a.1.) Management and measurement of credit risk

By means of the agreement adopted by the Entity's Executive Committee, the authority/power system regarding credit risk granting is as follows:

a.1.1.) Description of the bodies with authority The bodies responsible for the management and control of credit risk, according to their powers, are the Executive Committee, Investment Committee, Business Committee, Regional Risk Committees, Area Managers and Branches, with a private authorisation centre.

a.1.2.) Analyses and approval of credit risk

The Entity has a system in place for granting credit risk in compliance with the existing delegation of authority, summarised as follows:

> The beginning of the credit risk operation involves the recording, on behalf of the branch, of all the relevant data (personal, guarantees and characteristics of the chosen product) included in the initial computer file of the operation.

> If the parameters exceed those pre-established by the branch for granting credit, the operation is assigned to the department with the power to carry out the grant. If this department requires additional information, it requests it from the branch that began the operation.

> At branches, the Manager or Supervisor, and ultimately the Area Manager for the branch, is responsible for studying the operation before carrying it out.

> For higher bodies, the Risk Admissions Area is responsible for carrying out this task, reporting the operations whose approval should be submitted to higher authorities.

a.1.3.) Special procedure for associated parties

> Governing Bodies and Senior Management Operations

Operations involving members of the Governing Body and Management, their spouses, children or second-degree relatives, by marriage or blood, or entities in which any of these hold positions of owner, board member, director, senior manager or advisor or has a capital holding of 5% or more, may only be authorised by the Entity's Executive Committee.

> Operations with subsidiaries

Operations requested by any company associated with the Entity should be resolved by the Central Investment Committee or Executive Committee, according to their respective limits of authority.

a.1.4.) Global Risk Management Project (implementation of Basel II)

Credit rating models

During 2007 Cajamar has continued the process to incorporate credit risk management of the models developed within the convergence framework to the requirements of Basel II, in both the individuals and businesses areas:

> Individuals:

Within this segment, several operational and methodological improvements have been made in order to achieve the greatest concordance possible between the binding report provided by the reactive and proactive scoring models and the sanctions of the corresponding body.

In order better monitor the evolution of the credit quality of the operations held in the portfolio, a behavioural scoring model has been implemented which evaluates those operations with maturities after 6 months. In this same area, a proactive monitoring scoring model has been put into action to categorise customers by risk profile, thereby facilitating the application of different risk categories to each category.

In the interest of satisfactorily meeting the financial needs of the collective of non-national citizens accessing our workplace, a reactive scoring model has been implemented in order to evaluate the credit operations pertaining to this segment.

As in other years, several product sales campaigns have been carried out for assets supported in the pre-granting limits set by proactive scoring.

> Businesses:

One year after the rating model developed for evaluating intensive fruit and vegetable operations has been set up, progress has been made in the integration of the corresponding rating into management, establishing approval boundaries that influence the level of functions conferred to the sales network.

Moreover, the setting-up of the rating models created to evaluate the risk related with real estate business has concluded, thereby completing the map of models first established in the area of the Integrated Risk Management project for the businesses segment.

In the second half of the year a reactive scoring model specific to small businesses is being implemented, covering the collective of self-employed workers in the area of private individuals and also micro-businesses in the area of legal entities. A task has also been commenced to develop a proactive scoring model targeted at this business segment.

In addition, in order to render the ratings given by the business rating models more useful, work is currently being carried out to set up a system that will translate this rating into a maximum indebtedness level by product typology.

Risk quantification

Throughout 2007 different activities designed to continually improve the assessment of credit risk have been carried out, with the aim of increasing the scope of knowledge of each of the factors that intervene in its determination.

In this regard, aware of the need for a suitable quality of supporting data for designing methodologies, improvements have been carried out in order to improve the databases used for creating models. At the same time, in order to homogenise the information, progress has been made in the project underway to design, develop and implement a credit risk Datamart with which to support the needs of the different areas of Cajamar involved in one way or another with the credit risk function.

The necessary processes for a new calibration of the evaluation models have also been carried out, updating the Central Default Trends observed and the Exposure and Severity factors.

All of this has allowed the concept of “Expected Loss” to extend into management, in such a way that the transactions evaluated by the models incorporate this concept as a data disclosure, used by agents when making decisions in terms of profitability and constituting first step to attain management founded on the performance adjusted to risk.

Estimate of Economic Capital

Once the risk factors have been quantified, the Entity is developing an internal methodology for estimating the economic capital necessary to hedge possible unexpected loss. This methodology is aimed at gathering the characteristics of the portfolio, including aspects specific to the sectors and regions in which the Entity's credit risk is concentrated. The aim is to use this capital model to attempt to allocate a differentiated economic capital to each of the credit operations in the Entity's portfolio.

Integration into management

In 2007 the Entity has continued to develop actions aimed supporting all the different agents involved in the management of credit risk in their daily activity. The aim of all these procedures is, as well as providing the Entity with a global credit risk management model, to be able to present the evaluation models developed for the Supervisor's validation, and therefore access the regulatory capital calculation with a more advanced approach in accordance with the New Basel Capital Accord (NBCA).

a.2.) Credit risk control

The Credit Risk Control Area is responsible for:

> Keeping an ongoing knowledge of the evolution of the Entity's major borrowers.

> Ascertaining and evaluating the exposure to credit risk in the Cajamar Group on an ongoing basis.

> Controlling compliance with all limits established for credit exposures, established both in-house or by the Supervisor.

> Controlling the correct segmentation, in-house rating, accounting classification and coverage of Cajamar's credit exposures.

> Foreseeing, in terms of the general and sectorial economic trend, exposures to credit risk by undesirable portfolios, proposing corrective policies and measures.

The Entity has defined a monitoring and prevention policy for arrears which entails supervising the risk groups with “significant exposure”, borrowers rated under special follow-up, risks that are sub-standard or doubtful for reasons other than arrears, and borrowers recording incompliance.

a.3.) Recovery

The Debt Recovery Area is dedicated to the control of loan default management, assuming the direct responsibility for its management where necessary, and the management of the pre-contentious stage of loan loss operations.

Credit risk management includes the different stages in the loan's life and the different customer segments. The risk is managed from the admission stage, continued throughout the monitoring stage and ends upon recovery. In order for this to be achieved, the Entity has the help of its own management and monitoring support tools which determine the necessary actions for an appropriate management of this risk.

From the moment of default of a credit operation within the Entity, regularisation steps must be initiated. This initially begin at the branch whose balance sheet contains the operation and which will be controlled and supervised by the Debt Recovery Area.

Once the periods established in the Manual of Policies and Procedures for Credit Risk Management and Control have elapsed, the branch must send the operation's record to the Debt Recovery Area in order for the debt claim to be initiated, except in cases where a deferral has been granted.

A lawsuit will be carried out once all the steps to regulate the defaulted operation have been exhausted and once the existence of conditions for predicting that legal actions against the debtor will result in repayment of the debt have been analysed. In cases of fraudulent operations, irrespective of the amount, the viability of civil or criminal legal action that could lead to recovery of the debt are analysed.

Legal proceedings undertaken in relation to encumbered goods will be pursued until conclusion in the form of collection or auctioning of goods. These proceedings shall only be interrupted in the event that sound reasons exist to so advise.

a.4.) Total exposure to credit risk

The following table shows the total exposure to credit risk, net of valuation adjustments, at the 2007 and 2006 year ends.

	Thousands of Euros	
	2007	**2006**
Loans and advances to other debtors	21,947,763	17,391,216
Credit institutions	609,559	689,114
Debt securities	51,003	70,275
Hedging derivatives	9,390	6,052
Contingent exposures	883,886	815,568
Total Risk	**23,501,601**	**18,972,225**
Lines drawn down by third parties	3,529,319	2,846,952
Maximum exposure	**27,030,920**	**21,819,177**

With regard to the distribution of risk by geographical area according to location of the Entity's customers, the majority is assigned to Businesses based in Spain, with few customers based in the European Union and none in the rest of Europe or the World.

The breakdown of risk according to the total amount per customer registered in “Loans and Advances to other Debtors” under “Loans and receivables” for 2007 and 2006 is as follows:

	Thousands of Euros					
	2007			2006		
Thousands of Euros	**Risk**	**Distribution %**	**Of which: Doubtful assets**	Risk	Distribution %	Of which: Doubtful assets
Over 6,000	3,005,300	13.40%	51,636	1,672,058	9.41%	21,139
Between 3,000 and 6,000	1,047,356	4.67%	17,719	860,768	4.84%	11,734
Between 1,000 and 3,000	1,787,660	7.98%	9,065	1,316,267	7.41%	4,092
Between 500 and 1,000	1,442,260	6.43%	7,908	896,414	5.04%	9,778
Between 250 and 500	2,479,068	11.06%	24,773	1,600,462	9.01%	12,933
Between 125 and 250	5,694,934	25.40%	47,073	4,151,667	23.36%	25,740
Between 50 and 125	4,813,944	21.47%	37,637	4,643,668	26.13%	34,219
Between 25 and 50	1,061,865	4.74%	15,169	1,129,675	6.36%	14,510
Less than 25	1,087,808	4.85%	34,910	1,500,872	8.45%	34,569
Valuation adjustments	(472,432)			(380,635)		
Loans and advances to other debtors	**21,947,763**	**100.00%**	**245,890**	**17,391,216**	**100.00%**	**168,714**

The Entity has adopted a series of in-house criteria for the segmentation of loans and receivables transactions, in line with the requirements of the New Basel Capital Accord, aimed at identifying groups of homogenous risk in order to apply consistent management policies and evaluation methods thereto. The application of these criteria to the balances drawn down in loans and receivables and contingent exposures at 31 December 2007 and 2006 is as follows:

	Thousands of Euros			
	2007		2006	
	Risk	Distribution %	Risk	Distribution %
Individuals:	13,356,428	56.25%	10,964,593	56.96%
Mortgages on housing	10,535,216	44.37%	8,714,123	45.27%
Family consumer credit:				
Microconsumption	28,895	0.12%	28,859	0.15%
Automobiles	301,554	1.28%	288,238	1.50%
Other goods and services	473,598	1.99%	252,468	1.31%
Automatically renewable financing:				
Credit cards	96,309	0.41%	89,705	0.47%
Overdrafts	21,617	0.09%	19,613	0.10%
Other retail financing:				
Other secured items	1,031,671	4.34%	849,059	4.41%
Other personal guarantees	867,568	3.65%	722,528	3.75%
Businesses:	10,224,090	43.06%	8,129,761	42.24%
Real estate developers:				
Housing developments	2,827,870	11.92%	2,096,316	10.89%
Land acquisitions	1,354,584	5.70%	1,189,462	6.18%
Other developers' operations	846,530	3.57%	698,099	3.64%
Intensive farming operations	760,494	3.20%	792,048	4.11%
Fruit farming traders	301,861	1.27%	279,935	1.45%
Microbusinesses	2,322,663	9.78%	1,758,338	9.13%
Small enterprises	677,337	2.85%	463,301	2.41%
Medium-sized enterprises	527,365	2.22%	437,395	2.27%
Large enterprises	605,386	2.55%	414,867	2.16%
Public Entities:	31,970	0.13%	31,845	0.17%
Non-profit entities:	133,833	0.56%	122,227	0.63%
Balances drawn down of loans and advances to other debtors and contingent liabilities	**23,746,321**	**100.00%**	**19,248,426**	**100.00%**

With regard to the credit risk concentration level, the Bank of Spain requires that no customer or group of customers who form an economic group can reach a risk level higher than 25% of the Group's capital adequacy. Additionally, the sum of all the major risks (defined as higher than 10% of the Group's capital) should be less than 8 times the amount of their capital. The Group's consolidated eligible capital base for purposes of the Bank of Spain's solvency coefficient (Note 18) are used for these calculations. At 31 December 2007 and 2006, none of the borrowers or borrowing groups shows higher concentrations than the aforementioned limits.

Additionally, the Entity has established further limitations for risk concentration:

> Risks incurred with an individual borrower, or a group of borrowers that form a risk group, cannot exceed 15% of the Group's eligible capital base.

> Also, relevant exposure is considered to exist in cases where the risk incurred with the individual borrower, or group of borrowers who form a risk group, is equal to or higher than 4% of the Entity's eligible capital base.

b) Market risk

This risk includes those resulting from possible adverse fluctuations in the interest rates of assets and liabilities, in exchange rates for currencies in which capital or off-balance sheet components are stated and in market prices of the negotiable financial instruments.

b.1.) Interest rate risk

Exposure to interest rate risk is understood to be not only the risk derived from movements in interest rate curves, but also to all factors that could positively or negatively affect the returns/costs associated to each equity component. The Assets and Liabilities Committee (hereinafter ALCO) is responsible for designing optimisation strategies for the Entity's equity structure, analysing and evaluating the impact of the different fundraising and investing policies influenced by interest rate and other market movements, the likelihood of loan losses and possible situations of non-liquidity. This exposure is analysed from two perspectives, the impact on the Income Statement and the analysis of the Economic Value, using methodologies widely used throughout the financial system.

Income Statement Perspective:

Using dynamic gaps, the impacts resulting from different interest rate fluctuation scenarios are analysed. Sources of interest rate risk subject to analysis include:

> Yield curve level risk, resulting from uncertainty in the future evolution of interest rates. This is assessed by simulating scenarios of rises and falls in interest rates over the market-discounted forward curve, based on the zero warrant curve.

> Yield curve slope risk, resulting from an slow steady movement in the slope between the different interest rate curves. This is measured by carrying out simulations of flattening and inverting the curve, as well as extreme scenarios of individualised interest rate disturbance for certain terms, taking into account the current scenario.

A fluctuation of 100 basis points (1%) in interest rates would cause a net interest income variation of 1.80% (1.22% in 2006), although this does not include the effect of the positions derived from the incorporation of Caja Rural del Duero, Sociedad Cooperativa de Crédito.

Economic Value Perspective:

Future cash flows are restated in order to obtain an approximation of the Entity's current value, paying particular attention to the repricing of equity components and to the effect of optionalities. As a result of the analysis, the impact on the Entity's equity value of an instant fluctuation of 100 basis points (1%) in interest rates for one year is 2.81% (2.43%. in 2006), although this does not include the effect of the positions derived from the incorporation of Caja Rural del Duero, Sociedad Cooperativa de Crédito.

Analysis of interest rate risk from the economic value perspective at 31/12/2007

2007	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Over 12 months	Total Sensitive	Sensitivity (variation 1bp.)	Term	Not Sensitive	Total
ASSETS										
Money market	701,330	-	-	-	-	701,330	4	0.06	-	701,330
Credit market	2,443,208	4,601,930	3,815,431	7,336,254	2,938,286	21,135,109	1,148	0.57	231,250	21,366,359
Capital market	2,644,374	342,862	-	56,630	7,751	3,051,617	49	0.17	242,048	3,293,665
Other assets	-	-	-	-	-	-	-	-	800,175	800,175
	5,788,912	4,944,792	3,815,431	7,392,884	2,946,037	24,888,056	1,201	0.51	1,273,473	26,161,529
LIABILITIES AND EQUITY										
Money market	1,381,260	1,448,447	141,100	208,860	-	3,179,667	47	0.15	-	3,179,667
Medium and long-term issuances	895,123	5,243,032	500,000	1,000,000	814,948	8,453,103	212	0.26	-	8,453,103
Other liabilities	-	-	-	-	-	-	-	-	2,692,414	2,692,414
Creditors	2,247,395	2,257,643	1,993,970	2,920,087	465,380	9,884,475	383	0.40	1,951,870	11,836,345
	4,523,778	8,949,122	2,635,070	4,128,947	1,280,328	21,517,245	642	0.31	4,644,284	26,161,529
Gap	1,265,134	(4,004,330)	1,180,361	3,263,937	1,665,709	3,370,811	559	0.20	(3,370,811)	-
Gap/Assets (%)	4.84%	(15.31%)	4.51%	12.48%	6.37%	12.88%				

Note: The figures in the table above correspond to the assets and liabilities managed by the ALCO support group and not only the balance sheet figures. These figures do not include the positions derived from the incorporation of Caja Rural del Duero, Sociedad Cooperativa de Crédito.

Analysis of interest rate risk from the economic value perspective at 31/12/2006

2006	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Over 12 months	Total Sensitive	Sensitivity (variation 1bp.)	Term	Not Sensitive	Total
ASSETS										
Money market	895,238	-	-	-	-	895,238	8	0.09	-	895,238
Credit market	2,338,675	2,865,068	3,063,303	6,204,066	3,140,236	17,611,348	937	0.55	168,714	17,780,062
Capital market	932,078	262,732	3,184	55,384	19,740	1,273,118	37	0.30	269,318	1,542,436
Other assets	-	-	-	-	-	-	-	-	733,671	733,671
	4,165,991	3,127,800	3,066,487	6,259,450	3,159,976	19,779,704	982	0.52	1,171,703	20,951,407
LIABILITIES AND EQUITY										
Money market	311,500	245,631	143,600	6,000	-	706,731	10	0.15	-	706,731
Medium and long-term issuances	1,044,966	3,864,072	500,000	1,000,000	551,138	6,960,176	202	0.30	-	6,960,176
Other liabilities	-	-	-	-	-	-	-	-	2,405,123	2,405,123
Creditors	1,651,454	1,755,641	1,841,223	2,878,519	343,584	8,470,421	373	0.45	2,408,956	10,879,377
	3,007,920	5,865,344	2,484,823	3,884,519	894,722	16,137,328	585	0.37	4,814,079	20,951,407
Gap	1,158,071	(2,737,544)	581,664	2,374,931	2,265,254	3,642,376	397	0.21	(3,642,376)	-
Gap/Assets (%)	5.53%	(13.07%)	2.78%	11.34%	10.81%	17.38%				

Note: The figures in the table above correspond to the assets and liabilities managed by the ALCO support group and not only the balance sheet figures.

From the Basel II point of view, the Entity presents an implicit risk that is below the 20% limit set by the NBCA, with a variation of 200 basic points, above which limit entities are considered outliers, and is therefore exempt from the capital requirements applicable to this type of risk.

The in-house functions, the asset and liability methodology used, the information typology and the criteria implemented are set forth in the Procedures Manual of the Entity's Assets and Liabilities Committee, approved by the ALCO.

b.2.) Price risk

Price risk is defined as the risk that arises as a result of changes in market prices, caused either by factors specific to the actual instrument or by factors affecting all negotiated instruments in the market.

The Entity uses the treasury management system, connected in real time to the Reuters financial information system for daily and global risk management, thus enabling it to register, analyse, monitor and control all its front office, middle office and back office activities.

Currently, the Entity's cash management activity is solely aimed at risk hedging and not at taking advantage of the business opportunities that speculative positions offer. Notwithstanding, the cash management application contains a module for market risk analysis and control model based on the Value at Risk (VaR) methodology, by which it intends to measure the maximum loss in the value of an instrument or portfolio of instruments due to changes in general financial market conditions.

The risk analysis is performed by applying a delta approach to an analytical model, based on the analysis of historical series for the calculation of volatilities and correlations, i.e., a parametric VaR model or covariance matrix.

The parameters defining the functioning of the model are a 99% level of trust, a 1-day time horizon and a 1-year timing window with equally-weighted mobile measures.

The application also enables defining a limit structure, in order to allow control of the Entity's risk level as well as a series of sub-limits for management portfolios and product types. At the same time, other limits can be included in this structure based on non-statistical measurements, such as stop-loss on Cash positions and Capital Markets.

Following the recommendations set out in NBCA's Pillar II, the market risk measurement model includes a back testing programme to guarantee the suitability of the risk calculations carried out, comparing the results obtained from the VaR methodology with real losses.

The model also enables stress testing scenarios to be parameterised in order to quantify the maximum potential loss of the portfolio value in extreme scenarios of change in the risk factors to which the portfolio is exposed:

> Interest rates: parallel and non-parallel curve shifts.

> Exchange rates: fluctuations of the Euro against certain currencies.

> Variable income: changes in stock market indexes.

> Instability.

Due to the composition and nature of the Entity's investments, the market risk to which it is exposed is not considered significant.

b.3.) Exchange risk

At 31 December 2007 and 2006 the impact of exchange risk is fairly insignificant to the Entity as it does not hold relevant positions in foreign currencies.

The following table summarises the Entity's exposure to exchange risk:

Assets	Thousands of Euros 2007	Thousands of Euros 2006
Cash and balances with central banks	888	1,197
Loans and advances to credit institutions	76,192	49,602
Other assets	2,801	1,015
Total	**79,881**	**51,814**

Liabilities and Equity	Thousands of Euros 2007	Thousands of Euros 2006
Deposits from other creditors	74,280	47,381
Other liabilities	453	809
Total	**74,733**	**48,190**
Net position	**5,148**	**3,624**
Purchase and sale of foreign currency	**14,502**	**2,716**

Exchange differences taken to the income statement, except those included in financial assets and liabilities at fair value through profit or loss, amounts to Euros 1,187 thousand in 2007 (Euros 1,938 thousand in 2006).

During 2007 and 2006 the Entity had no “Exchange Differences” classified under “Valuation adjustments” in “Equity”.

c) Liquidity risk

This risk reflects the possible difficulties that a credit entity has of having liquid funds available, or of accessing sufficient amounts at the appropriate cost, in order to meet its payment obligations at all times.

The ALCO is the Committee responsible for optimising the Entity's liquidity, and has the support of a specific unit to carry out its assigned duties.

The management performed by the ALCO includes the following functions:

- Current situation of equity components.
- Foreseeable evolution of these components in situations of business inertia.
- Expected strategic development: profitability and risk objectives.
- Risks to which the Entity is subjected, with particular attention to interest rates and prices of financial assets.
- Evolution of spreads applied, with attention to competitors.
- Simulation of scenarios, from the most probable to the most extreme.

> Continual monitoring and analysis of deviations. Correction measures.

> Analysis and implementation of legal and regulatory modifications.

> Study of the national and international macroeconomic situation as a conditioning element of the environment in which the Entity operates.

With regard to liquidity risk, the main reports that analyse the Entity's current situation and possible future evolution and that support the ALCO's decision-making process include:

> Static liquidity gap: These are caused by cash flows on the Entity's equity components. These cash flows come from the static analysis type, i.e., in theory, they only include currently contracted operations.

> Dynamic liquidity gap: This involves an evolution in the static gap. In order to prepare this report, evolution assumptions are included for certain equity components, using the Entity's annual budget, based on rigorous criteria that considers both the historical evolution of the different equity aggregates as well as their seasonality and trend, and the sales policy designed by the Entity, as well as optionality assumptions, basically linked to the application of prepayment options.

> Liquidity Ratio Profile (LRP): This measures the relationship between short-term liquid assets and callable liabilities. This variable has been become one of the Entity's parameters of reference with regard to liquidity management. The ALCO is responsible for fixing the safety limits for this variable and for monitoring it daily. Additionally, the ALCO's procedures manual includes appropriate contingency plans for non-liquidity situations.

Within the overall liquidity management framework, progress has been made in the objective of diversifying financing sources (Notes 6.5.b., 6.7.c., 6.7.d. and 6.7.e.), aimed at having a wide range of tools that enable flexible, agile and cost-adjusted liquidity management.

Following is the breakdown of financial instruments by term to maturity at 31 December 2007 and 2006. The maturity dates included in the preparation of the table are the expected maturity or cancellation dates obtained according to the Entity's historical experience:

Thousands of Euros

2007	On demand	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Undetermined and unclassified maturity	Valuation adjustments	Total
ASSETS										
Cash and balances with central banks	340,276	-	-	-	-	-	-	-	540	340,816
Loans and advances to credit institutions	196,477	270,982	27,017	10,770	7,214	1,830	91,355	-	3,914	609,559
Money market operations through counterparties	-	-	-	-	-	-	-	-	-	-
Loans and advances to other debtors	-	946,430	798,188	892,105	1,454,303	4,355,530	13,442,118	531,521	(472,432)	21,947,763
Debt securities	-	10,140	1,972	-	1,907	30,530	6,454	-	-	51,003
Other assets held to maturity	-	129,000	51	25	255	3,584	1,838	-	-	134,753
Total	**536,753**	**1,356,552**	**827,228**	**902,900**	**1,463,679**	**4,391,474**	**13,541,765**	**531,521**	**(467,978)**	**23,083,894**
LIABILITIES AND EQUITY										
Deposits from central banks	-	600,000	550,000	-	-	-	-	-	4,024	1,154,024
Deposits from credit institutions	-	78,630	303,219	65,235	28,989	166,648	83,045	38,412	5,573	769,751
Money market operations through counterparties	-	-	-	-	-	-	-	-	-	-
Deposits from other creditors	6,264,522	1,814,699	2,007,968	1,308,446	1,368,251	202,507	4,330,789	51,387	(6,265)	17,342,304
Debt certificates including bonds	-	368,947	483,923	90,405	195,712	800,000	-	-	20,957	1,959,944
Subordinated liabilities	-	-	-	-	60,000	-	300,000	-	(555)	359,445
Other liabilities held to maturity	-	268,441	9	411	319	697	-	-	-	269,877
Total	**6,264,522**	**3,130,717**	**3,345,119**	**1,464,497**	**1,653,271**	**1,169,852**	**4,713,834**	**89,799**	**23,734**	**21,855,345**
Gap (without valuation adjustments)	**(5,727,769)**	**(1,774,165)**	**(2,517,891)**	**(561,597)**	**(189,592)**	**3,221,622**	**8,827,931**	**441,722**		**1,720,261**
Accumulated gap	**(5,727,769)**	**(7,501,934)**	**(10,019,825)**	**(10,581,422)**	**(10,771,014)**	**(7,549,392)**	**1,278,539**	**1,720,261**		

Thousands of Euros

2006	On demand	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Undetermined and unclassified maturity	Valuation adjustments	Total
ASSETS										
Cash and balances with central banks	337,283	-	-	-	-	-	-	-	363	337,646
Loans and advances to credit institutions	145,063	268,418	170,132	70,000	289	2,605	28,700	-	3,907	689,114
Money market operations through counterparties	-	-	-	-	-	-	-	-	-	-
Loans and advances to other debtors	-	711,488	576,748	631,476	1,290,819	4,009,426	10,237,549	314,345	(380,635)	17,391,216
Debt securities	-	-	-	42,644	-	22,310	5,321	-	-	70,275
Other assets held to maturity	-	136,434	103	104	470	2,479	1,838	-	-	141,428
LIABILITIES AND EQUITY										
Deposits from central banks	-	-	-	-	-	-	-	-	-	-
Deposits from credit institutions	-	240,213	12,556	17,581	86,911	184,545	30,252	19,972	2,846	594,876
Money market operations through counterparties	-	-	-	-	-	-	-	-	-	-
Deposits from other creditors	6,121,532	1,333,647	1,114,287	898,789	1,090,019	259,601	4,617,689	52,669	1,964	15,490,197
Debt certificates including bonds	-	47,203	26,037	33,080	5,768	800,000	-	-	4,759	916,847
Subordinated liabilities	-	-	-	-	-	60,000	300,000	-	(979)	359,021
Other liabilities held to maturity	-	218,535	-	330	332	67	-	-	-	219,264
Gap (without valuation adjustments)	**(5,639,186)**	**(723,258)**	**(405,897)**	**(205,556)**	**108,548**	**2,732,607**	**5,325,467**	**241,704**		**1,434,429**
Accumulated gap	**(5,639,186)**	**(6,362,444)**	**(6,768,341)**	**(6,973,897)**	**(6,865,349)**	**(4,132,742)**	**1,192,725**	**1,434,429**		

d) Operational risk

The Basel Committee on Banking Supervision defines operational risk as that which causes losses as a result of internal processes, human resources or inadequate or faulty systems or due to external causes.

The Basel Committee acknowledges in its document entitled "Sound practices for the management and supervision of operational risk" (February 2003) that the term operational risk has various interpretations and therefore, for its internal management, entities should adopt their own definition of operational risk.

Therefore, the Entity defines operational risk as the risk of loss resulting from a lack of adaptation or a failure in processes, personnel and internal systems and other external events. The definition includes legal risk, but excludes strategic and reputation risk.

The Basel Committee classifies operational risk in seven categories or "event types". The Entity has adopted the following definitions of the main categories, which have been contrasted by sector at national and international level for the purpose of achieving homogeneity of criteria:

> Group 1.- Internal fraud: losses from actions perpetrated against the law or internal regulations, carried out for profit-making or fraud by the Entity's personnel or persons directly related thereto.

> Group 2.- External fraud: losses from actions perpetrated against the law or internal regulations, carried out for profit-making or fraud by personnel not belonging to the Entity or persons not directly related thereto.

> Group 3.- Employment practices and health and safety in the workplace: losses caused by the relationship between the Entity and its human resources (labour risk prevention, labour disputes, discriminatory contractual or promotional practices, etc.).

> Group 4.- Practices with customers, products and business: losses due to the relationship between the Entity and its business environment: customers, counterparties and supervisory bodies.

> Group 5.- Damage to physical assets: losses or impairment of property due to non-profit making human actions (terrorism, vandalism) or natural circumstances (flooding, earthquakes…).

> Group 6.- Interruption of business and system failures: losses resulting from faults in the Entity's technological infrastructure (hardware, software, peripherals or telecommunications).

> Group 7.- Process execution, delivery and management: losses caused by human error committed by the Entity's personnel or persons directly related thereto, including defects in suppliers of goods and services.

During 2007 the Entity has continued to make progress through its office of Operational Risk Control in the defining, developing and implementing of a specific operational risk management and measurement methodology.

The unit's structure guarantees the basic principles set forth by the Basel Committee:

> Independence of the Operational Risk Unit with respect to the business units that are subject to review by the supervisor (Pillar II).

> Involvement of Senior Management in the definition of risk management strategies.

> Involvement of the Entity's Internal Auditing bodies in the supervision of operational risk management.

The Entity, aware of the importance of appropriate control and management of operational risk at strategic level, is working on implementing implementation of an advanced operational risk management model (Advanced Measurement Approach - AMA) which is subject to the Basel II “Sound practices for the management and supervision of operational risk” document and to the qualitative and quantitative requirements for applying advanced models.

The Entity's decision to direct its operational risk management towards the AMA model complies with the fundamental objective of improving the quality in the management of processes in which the Entity intervenes (in-house and external), offering operational risk information, defining and developing measures for its mitigation, management and control.

This main objective can be subdivided into the following premises:

> Promote an operational risk management culture in the Entity aimed specifically at raising awareness of risk, responsibility and commitment to quality.

> Comply with the regulatory framework and optimise capital allocation.

> Establish systems to continually improve the Entity's processes from the point of view of operational risk and develop controls that allow a reduction in possible risk exposure.

e) Fair value of financial instruments

At 31 December 2007 and 2006 there were no significant differences between the fair value and carrying value of the Entity's financial assets and liabilities, calculated according to the following estimates:

Fair value of financial assets

The fair value of “Debt securities” quoted on asset markets is determined by the quoted price of the asset. For unquoted debt securities the valuation is carried out according to the zero interest warrant through the IRR curve, corrected by a spread depending on the degree of solvency of the instrument's issuer, specifically of the sector, the term remaining to maturity and the issue rating. The zero interest warrant curve used for each issue will depend on its characteristics.

“Other equity instruments” includes investment funds and other investments quoted on asset markets and measured at fair value, using the market quotation price of the last working day of the year. Other investments held by the Entity not quoted on official markets are measured using the method of expected future cash flow discounts at the market performance rate for other similar securities.

Other investments exist and are measured at cost, correcting the Entity's equity with underlying goodwill existing at the valuation date.

The fair value of “Loans and receivables” has been related to the current value of the cash flows that the said instruments create, by applying the market interest rates for each maturity tranche and taking into consideration the way in which the operations are arranged, as well as their guarantees.

“Hedging derivatives” are measured at fair value using the quotation, the future cash flow discount currently expected, and other accepted valuation methods.

Fair value of financial liabilities

The Entity's financial liabilities have been measured using the current value of the future cash flows that the said instruments shall give rise to, applying market interest rates.

“Hedging derivatives” are measured at fair value using the expected future cash flow discount method updated to the present date.

No other financial instrument portfolios at fair value through profit or loss exist.

6.2. Cash and balances with central banks

Details of “Cash and balances with central banks” in the accompanying balance sheets at 31 December 2007 and 2006 are as follows:

	Thousands of Euros	
	2007	2006
Cash on hand	**132,602**	**127,686**
Bank of Spain:		
Assets purchased under resale agreements	-	-
Other deposits	207,674	209,597
Other central banks	-	-
Valuation adjustments:		
Accrued interest	540	363
Micro-hedging operations	-	-
Other	**-**	**-**
Total	340,816	337,646

The balance under “Bank of Spain - Other deposits” corresponds to the deposit made to cover the minimum reserve coefficient (Note 1.4).

The breakdown by term to maturity of these entries is set forth in Note 6.1.c. on liquidity risk.

Details of items considered as cash or cash equivalents for the purposes of preparing the cash flow statement for 2007 and 2006 are as follows:

	Thousands of Euros	
	2007	2006
Cash on hand	132,602	127,686
Balances at Bank of Spain	207,674	209,597
Balances at other central banks	-	-
Demand balances at other credit entities	-	-
Assets purchased under resale agreements	-	-
Short-term treasury and promissory notes	-	-
Total	340,276	337,283

6.3. Financial assets and liabilities held for trading

Details of these financial assets and liabilities captions in the accompanying balance sheets are as follows:

	Thousands of Euros			
	ASSETS		LIABILITIES AND EQUITY	
	2007	2006	2007	2006
Loans and advances to credit institutions	3,363	-	-	-
Money market operations through counterparties and deposits	-	-	-	-
Loans and advances to other debtors	-	-	-	-
Deposits from other creditors	-	-	-	-
Debt securities (assets)	-	-	-	-
Debt certificates including bonds (liabilities)	-	-	-	-
Other equity instruments	-	-	-	-
Trading derivatives	1,476	277	719	10
Short positions	-	-	-	-
Total	**4,839**	**277**	**719**	**10**

The “Loans and advances to credit institutions” includes a contract with Banco Cooperativo Español, S.A. referred to as a Private Fixed-Income Pool, involving the transfer of funds for investment in fixed-income securities. Based on the conditions and agreements subscribed, this investment can be cancelled quarterly by the Entity on unilateral terms, in which case the Entity would accept the implicit results existing at that time. The Entity has considered these assets as hybrid financial assets, stating them at fair value through changes in profit and loss.

Trading derivatives, in accordance with Note 3.1, are classified as financial assets and liabilities held for trading and are measured at fair value, taking any adjustments that could arise directly to the income statement.

The notional and fair values of financial derivatives booked as “Trading derivatives” at 31 December 2006 and 2005 are classified by type of market, type of product, counterparty, term to maturity and type of risk:

	Thousands of Euros					
	Notional		Fair value			
			Assets		Liabilities and Equity	
By type of market	2007	2006	2007	2006	2007	2006
Official Markets	**5,424**	**5,183**	**-**	**-**	**-**	**-**
Financial futures:	5,424	5,183	-	-	-	-
Purchased	-	-	-	-	-	-
Sold	5,424	5,183	-	-	-	-
Options:	-	-	-	-	-	-
Purchased	-	-	-	-	-	-
Sold	-	-	-	-	-	-
Other products:	-	-	-	-	-	-
Purchased	-	-	-	-	-	-
Sold	-	-	-	-	-	-
Unofficial Markets	**3,813,797**	**3,261,184**	**1,476**	**277**	**719**	**10**
Total	**3,819,221**	**3,266,367**	**1,476**	**277**	**719**	**10**

By type of product	Notional		Fair value			
			Assets		Liabilities and Equity	
	2007	2006	2007	2006	2007	2006
Foreign currency forward transactions:	**-**	**-**	**-**	**-**	**-**	**-**
Purchased	-	-	-	-	-	-
Sold	-	-	-	-	-	-
Purchase of currencies against currencies	-	-	-	-	-	-
Forward Rate Agreements (FRA)	**-**	**-**	**-**	**-**	**-**	**-**
Swaps	**3,813,233**	**3,266,367**	**1,476**	**277**	**719**	**10**
Options:	**564**	**-**	**-**	**-**	**-**	**-**
Purchased	564	-	-	-	-	-
Sold	-	-	-	-	-	-
Other products:	**5,424**	**-**	**-**	**-**	**-**	**-**
Purchased	-	-	-	-	-	-
Sold	5,424	-	-	-	-	-
Total	**3,819,221**	**3,266,367**	**1,476**	**277**	**719**	**10**

Thousands of Euros

By counterparty	Notional		Fair value			
			Assets		Liabilities and Equity	
	2007	2006		2006		2006
Resident credit entities	413,505	458,671	1,476	263	705	-
Non-resident credit entities	-	-	-	-	-	-
Other resident financial entities	2,763,626	2,049,498	-	14	14	-
Other non-resident financial entities	641,075	751,639	-	-	-	-
Other resident sectors	1,015	6,559	-	-	-	10
Other non-resident sectors	-	-	-	-	-	-
Total	**3,819,221**	**3,266,367**	**1,476**	**277**	**719**	**10**

Thousands of Euros

By term to maturity	Notional		Fair value			
			Assets		Liabilities and Equity	
	2007	2006		2006		2006
Up to 1 year	20,602	5,250	-	-	-	-
Between 1 and 5 years	63,945	62,373	722	277	678	10
More than 5 years	3,734,674	3,198,744	754	-	41	-
Total	**3,819,221**	**3,266,367**	**1,476**	**277**	**719**	**10**

Thousands of Euros

By type of risk	Notional		Fair value			
			Assets		Liabilities and Equity	
	2007	2006		2006		2006
Exchange rate risk	-	-	-	-	-	-
Interest rate risk	3,793,281	3,262,626	168	277	651	10
Risk to shares	25,940	3,741	1,308	-	68	-
Credit risk	-	-	-	-	-	-
Other risks	-	-	-	-	-	-
Total	**3,819,221**	**3,266,367**	**1,476**	**277**	**719**	**10**

6.4. Available-for-sale financial assets

Details of this caption of the accompanying balance sheets are as follows:

	Thousands of Euros	
	Assets	
	2007	2006
Debt securities	51,003	70,275
Other equity instruments	171,832	187,225
Total	**222,835**	**257,500**

a) Debt securities

Details of debt securities by counterparty are as follows:

	Thousands of Euros	
	2007	2006
Central banks	-	-
Spanish Public Authorities	6,545	8,166
Credit entities	10,852	1,152
Other resident sectors	32,571	60,957
Non-resident public entities	-	-
Other non-resident sectors	1,035	-
Doubtful loans	-	-
Valuation adjustments:	-	-
Value adjustments on asset impairment	-	-
Micro-hedging operations	-	-
Embedded derivatives	-	-
Transaction cost	-	-
Total	**51,003**	**70,275**

Approximately Euros 14,102 thousand of the balance of “Debt securities” at 31 December 2007 were pledged as collateral in a credit contract subscribed with the Bank of Spain (Note 6.7.a). The commitments of the balance at 31 December 2006 were not affected by this contract.

Accrued interest on debt securities during 2007 and 2006 amounted to Euros 2,513 and Euros 6,369 thousand, respectively (Note 23).

Variations in this balance sheet caption during 2007 and 2006, without considering the different write-downs carried out, are as follows:

	Thousands of Euros	
	2007	2006
Opening balance	**70,275**	**185,035**
Purchases	-	-
Sales and depreciation and amortisation	(33,465)	(102,038)
Incorporation of Caja Rural del Duero	15,232	-
Portfolio adjustment cost	(1,039)	(12,722)
Closing balance	**51,003**	**70,275**

Details of this caption by term to maturity can be found in Note 6.1.c. on liquidity risk.

b) Other equity instruments

The accompanying balance sheet includes financial instruments issued by other entities, such as shares, shareholding contributions and quotas, which are considered equity instruments by the issuer, except companies in which control is exercised, an interest of over 20% is held or, if the stake is lower, significant influence is exercised. Investment fund participations are included in this account.

At 31 December 2007 and 2006 details of this caption according to the issuer's sector of activity are as follows:

	Thousands of Euros	
	2007	2006
Credit entities	58,055	56,003
Incorporation Caja Rural Duero credit entities	3,877	-
Other resident sectors	106,768	131,222
Incorporation Caja Rural Duero other resident sectors	3,132	-
Non-residents	-	-
Total	171,832	187,225

At the 2007 and 2006 year ends, "Other equity instruments" is as follows, according to the quotation or not of instruments included, as well as the percentage they represent of the total:

	2007		2006	
	Thousands of Euros	% of total	Thousands of Euros	% of total
Quoted:	14,581	8.49%	38,053	20.32%
Cost	14,054	8.18%	37,488	20.02%
Equity valuation adjustment	527	0.31%	565	0.30%
Valuation adjustment through profit or loss	-	-	-	-
Impairment value adjustment	-	-	-	-
Unquoted:	157,250	91.51%	149,172	79.68%
Cost	121,207	70.53%	119,829	64.00%
Incorporation Caja Rural Duero cost	5,467	3.18%	-	-
Equity valuation adjustment	30,843	17.95%	30,642	16.37%
Incorporation Caja Rural Duero equity valuation adjustments	1,562	0.91%	-	-
Impairment value adjustment	(1,809)	(1.05%)	(1,299)	(0.69%)
Incorporation Caja Rural Duero impairment value adjustment	(20)	(0.01%)	-	-
Total	171,831	100.00%	187,225	100.00%

During 2007 and 2006 "Other equity instruments" showed the following variations, without taking into account impairment losses, differentiating between instruments quoted on official markets and unquoted ones:

	Thousands of Euros			
	Quoted		Unquoted	
	2007	2006	2007	2006
Opening balance	38,053	17,282	150,471	121,566
Additions	47,360	28,434	15,822	25,422
Disposals	(70,794)	(7,946)	(14,444)	(1,310)
Transfers	-	-	-	-
Incorporation Caja Rural Duero cost	-	-	5,467	-
Equity valuation adjustment	(38)	283	201	4,793
Incorporation Caja Rural Duero equity valuation adjustments	-	-	1,562	-
Closing balance	14,581	38,053	159,079	150,471

The additions and disposals corresponding to instruments officially quoted during 2006 and 2007 correspond to participations acquired and sold in Investment Funds.

During 2006, the most significant additions corresponding to unquoted securities mainly include the increase in the investment in Metro de Málaga, S.A. and the investment purchased Corretaje e Información Monetaria y de Divisas, S.A.

During 2007, the most significant additions corresponding to unquoted securities mainly include the capital increases made in the companies Autopista del Sureste, CEA, S.A. and Seguros Generales Rural, S.A. for amounts of Euros 5,153 thousand and Euros 1,862 thousand, respectively, as well as different contributions to funds and venture capital companies for a global amount of Euros 8,035 thousand.

The most significant disposals during 2007 corresponding to unquoted securities mainly include the sale of the shares held in the company Inmobiliaria Echevarría, S.A. and the refunding of contributions from the company Eolia Mistral de Inversiones SCR, S.A., for amounts of Euros 7,212 thousand and Euros 2,975 thousand, respectively.

Due to the integration of the Caja Rural del Duero, Sociedad Cooperativa de Crédito balance sheet during 2007, its group of investments classified as “Available-for-sale Financial Assets” has been incorporated into the Entity's “Other Equity Instruments” caption, the most significant amount corresponding to the investment made in the capital of Banco Cooperativo, S.A., for an amount of Euros 1,612 thousand. In addition, this investment includes a revaluation recorded under valuation adjustments in equity for Euros 1,173 thousand.

During 2007 and 2006 the Entity recorded investments at cost in the “Available-for-sale financial assets” portfolio, for Euros 5,984 thousand and Euros 24,621 thousand, respectively, as their fair value could not be reliably determined.

During 2007, investments booked by the Entity as “Available-for-sale financial assets” at cost represent 3.48% of the portfolio total (13.15% in 2006).

Yields on “Other equity instruments” at 31 December 2007 and 2006 amount to Euros 5,204 thousand and Euros 2,194 thousand, respectively (Note 23).

c) Impairment losses

The breakdown of impairment losses booked at 2007 and 2006 year end for assets in “Available-for-sale financial assets” is as follows:

	Thousands of Euros	
	2007	2006
Opening balance of individually evaluated provision	(1,299)	(1,383)
Provisions charged to profit for the year (Note 23)	(443)	(338)
Funds recovered	-	-
Write-offs due to use and others	(67)	422
Transfers	-	-
Incorporation Caja Rural Duero impairment	(20)	-
Closing balance of individually evaluated provision	(1,829)	(1,299)

d) Equity valuation adjustment

In accordance with Note 3.1., the revaluation of “Available-for-sale financial assets”, net of taxes, is taken to “Valuation adjustments” in equity, thereby including variations in the fair value net of taxes (Note 16).

At 31 December 2007 and 2006 details of these gains are as follows:

Plusvalías de la cartera de activos disponibles para la venta	Thousands of Euros 2007	 2006
Gains on available-for-sale assets portfolio	62	667
Debt securities:	69	889
Capital gains	(7)	(222)
Tax effect	23,053	21,846
Other equity instruments:	32,933	31,207
Capital gains	(9,880)	(9,361)
Total	23,115	22,513

6.5. Loans and receivables

Details of this balance sheet caption are as follows:

	Thousands of Euros 2007	 2006
Loans and advances to credit institutions	606,196	689,114
Money market operations through counterparties	-	-
Loans and advances to other debtors	21,947,763	17,391,216
Debt securities	-	-
Other financial assets	134,753	141,428
Total	22,688,712	18,221,758

a) Loans and advances to credit institutions

Details of "Loans and advances to credit institutions" under assets in the balance sheet according to instrument type are as follows:

By type (assets)	Thousands of Euros 2007	 2006
Nostro/vostro accounts	**1,203**	**1,202**
Term deposits	**409,168**	**488,460**
Hybrid financial assets:	**-**	**-**
With guaranteed capital	-	-
With embedded credit derivative	-	-
Other	-	-
Assets purchased under resale agreements	**-**	**51,684**
Other deposits	**192,273**	**143,861**
Doubtful assets	**-**	**-**
Resident credit entities	-	-
Non-resident credit entities	-	-
Valuation adjustments:	**3,552**	**3,907**
Value adjustments due to asset impairment	-	-
Accrued interest	3,552	4,091
Resident entities	3,552	4,091
Non-resident entities	-	-
Micro-hedging operations	-	(184)
Assets at fair value	-	-
Acquisition premiums/discounts	-	-
Embedded derivatives	-	-
Commissions	-	-
Transaction costs	-	-
Total	606,196	689,114

Details of this caption by term to maturity are set forth in Note 6.1.c. on liquidity risk.

b) Loans and advances to other debtors

Details of these items in the accompanying balance sheet by credit type and status and according to the counterparty's sector and type of interest rate, are as follows:

	Thousands of Euros	
	2007	2006
By credit type and status:		
Commercial loans	824,313	576,309
Secured loans	16,945,890	13,543,445
Assets purchased under resale agreements	-	-
Hybrid financial assets	-	-
Other term debtors	3,607,621	2,848,699
Lease financing	241,818	176,121
Sight debtors and others	554,663	458,563
Doubtful assets	245,890	168,714
Valuation adjustments	(472,432)	(380,635)
	21,947,763	17,391,216
By sector		
Spanish public entities	23,285	23,527
Other resident sectors	21,695,254	17,182,174
Non-resident public entities	-	-
Other non-resident sectors	229,224	185,515
	21,947,763	17,391,216
By interest rate type		
Fixed	2,203,207	2,225,433
Variable	19,744,556	15,165,783
	21,947,763	17,391,216

Details of this caption by term to maturity can be found in Note 6.1.c. on liquidity risk.

b.1.) Valuation adjustments

Details of valuation adjustments made on transactions classified as “Loans and advances to other debtors” are as follows:

	Thousands of Euros	
	2007	2006
Valuation adjustments:		
Asset impairment adjustments	(460,140)	(347,057)
Interest accrued	98,338	65,778
Micro-hedging operations	-	-
Assets at fair value	(3,188)	-
Acquisition premiums/discounts	(31,975)	(34,930)
Embedded derivatives	-	-
Commissions	(75,467)	(64,426)
Transaction costs	-	-
Total	(472,432)	(380,635)

b.2.) Unimpaired assets

The classification of outstanding, unimpaired assets according by ageing is as follows:

2007	Thousands of Euros Less than 1 month	Between 1 and 2 months	Between 2 and 3 months	Total
Unsecured transactions	81,365	17,830	12,770	111,965
Secured operations on finished housing	2,000	821	498	3,319
Other secured operations	46,011	24,297	10,907	81,215
With partially pledged collateral	22	300	-	322
Total	**129,398**	**43,248**	**24,175**	**196,821**

2006	Thousands of Euros Less than 1 month	Between 1 and 2 months	Between 2 and 3 months	Total
Unsecured transactions	64,314	19,490	5,197	89,001
Secured operations on finished housing	1,746	458	533	2,737
Other secured operations	44,374	1,689	621	46,684
With partially pledged collateral	-	-	-	-
Total	**110,434**	**21,637**	**6,351**	**138,422**

b.3.) Impaired assets

The classification of impaired assets pending collection according by ageing is as follows:

2007	Thousands of Euros Up to 6 months	Between 6 and 12 months	Between 12 and 18 months	Between 18 and 24 months	Over 24 months	Total
Unsecured operations	21,174	16,330	11,062	7,993	18,094	74,653
Secured operations on finished housing	-	-	-	-	60,367	60,367
Other secured operations	45,131	33,834	13,437	9,884	8,584	110,870
With partially pledged collateral	-	-	-	-	-	-
Total	**66,305**	**50,164**	**24,499**	**17,877**	**87,045**	**245,890**

2006	Thousands of Euros Up to 6 months	Between 6 and 12 months	Between 12 and 18 months	Between 18 and 24 months	Over 24 months	Total
Unsecured operations	17,365	11,836	6,805	5,387	16,587	57,980
Secured operations on finished housing	-	-	-	-	36,496	36,496
Other secured operations	48,606	10,579	5,674	2,087	7,292	74,238
With partially pledged collateral	-	-	-	-	-	-
Total	**65,971**	**22,415**	**12,479**	**7,474**	**60,375**	**168,714**

The amount of accumulated accrued financial income of impaired loans and advances to other debtors recorded in the income statement, prior to their impairment, was Euros 2,279 thousand and Euros 1,031 thousand in 2007 and 2006, respectively.

b.4.) Transfer and write-off of financial assets (Securitisations and Conversions)

During 2007 and previous years, the Entity has carried out various asset transfers (mainly securitisations) of customer credit operations. These have been booked in accordance with the criteria set forth in Note 3.5. At 31 December 2007 and 2006 the available balance of these operations is as follows:

Securitisation of assets:

	Thousands of Euros	
	2007	2006
Balance sheet write-offs:	**880,177**	**1,018,300**
Mortgage loans granted to securitisation funds	806,567	929,148
Other transfers to credit institutions	73,610	89,152
Held on the balance sheet:	**2,127,501**	**2,402,575**
Mortgage loans granted to securitisation funds	2,127,501	2,402,575
Other transfers to credit institutions	-	-
Total	3,007,678	3,420,875

Commissions from securitised assets written off the balance sheet corresponding to all securitisations prior to 1 January 2004 have been taken to the income statement caption “Profit from financial operations (net)” in 2007 and 2006 at Euros 1,369 thousand and Euros 5,179 thousand, respectively (Note 23).

The net liabilities taken to the balance sheet as a balancing item for securitised assets held on the balance sheet are classified in “Financial liabilities at amortised cost -deposits from customer” amounting to Euros 2,339,722 thousand and Euros 2,608,856 thousand at 2007 and 2006 year end, respectively, under “Shares issued” (Note 6.7.c.).

The Entity has carried out loan and credit conversions on discounted bonds by assigning securitised funds which, registered under “Loans and advances to other debtors”, allow financing through pledging. The breakdown of previous operations that have meant the conversion of lending operations into fixed income securities is as follows:

Converted assets

	Thousands of Euros	
	2007	2006
Lending operations	3,261,069	1,447,837

Of the Euros 3,261,069 thousand in existing securitised bonds at 31 December 2007, approximately Euros 2,861,377 thousand were pledged as collateral in the credit contract entered into with the Bank of Spain through which the Entity obtained financing of Euros 1,150,000 thousand (Note 6.7.a.), the rest of which remained freely available. The balance at 31 December 2006 is not linked to any commitments.

Of the lending operations booked in the balance sheet, the Entity holds certain balances as collateral, basically for realised securitisations, for covered bonds, and for conversions carried out, as follows:

Loans and credit as collateral	Thousands of Euros	
	2007	2006
Securitised asset collateral	2,127,501	2,402,575
Asset conversion collateral	2,861,377	-
Covered bond collateral	2,220,000	2,220,000
Total	7,208,878	4,622,575

In accordance with the minimum hedges established by regulations regarding the issue of bonds, the collateral loans and credits of covered bond issues described above have been calculated by applying 111.1% to current issues at 2007 and 2006 year end, both amounting to Euros 2,000,000 (Note 6.7.c.).

c) Other financial assets

All financial assets included in this account of the accompanying balance sheets are classified in as loans and receivables and are therefore entered and measured at amortised cost using the effective interest rate method. Other debtor balances in the Entity's favour are included in this account for operations that are not credit-related.

The breakdown of “Other financial assets” grouped by financial instrument type is as follows:

	Thousands of Euros	
	2007	2006
Cheques drawn on other banks	93,690	105,147
Financial operations pending settlement	838	-
Guarantees paid in cash	6,477	5,508
Clearing houses	-	-
Shareholders. Called capital	-	-
Commissions for financial guarantees (Note 7)	33,748	30,773
Other items	-	-
Impairment value adjustments	-	-
Total	134,753	141,428

d) Impairment losses

Details of impairment losses booked at 2007 and 2006 year end for assets recorded under loans and receivables are as follows:

	Thousands of Euros			
2007	Specific Hedges	Generic Hedges	Country Risk Hedges	Total Hedges
Balance at 31 December 2006	**74,870**	**272,187**	**-**	**347,057**
Charges to profit and loss:				
Individually determined	63,544	-	-	63,544
Collectively determined	22,973	38,138	-	61,111
Incorporation Caja Rural del Duero - Individually determined	6,287	-	-	6,287
Incorporation Caja Rural del Duero - Collectively determined	-	17,044	-	17,044
Recovery of provisions taken to results	(14,508)	-	-	(14,508)
Defaulted loans written off against funds	(19,454)	-	-	(19,454)
Exchange differences	-	-	-	-
Transfer between funds	-	-	-	-
Other	(941)	-	-	(941)
Balance at 31 December 2007	**132,771**	**327,369**	**-**	**460,140**
Of which:				
According to method of determination:				
Individually determined	109,798	-	-	109,798
Collectively determined	22,973	327,369	-	350,342
According to geographical area of risk location:				
Spain	132,771	327,369	-	460,140
Rest of Europe	-	-	-	-
According to type of hedged asset:				
Loans and advances to credit institutions	-	-	-	-
Money market operations through counterparties	-	-	-	-
Loans and advances to other debtors	132,771	327,369	-	460,140
Debt securities	-	-	-	-

	Thousands of Euros			
Ejercicio 2006	Specific Hedges	Generic Hedges	Country Risk Hedges	Total Hedges
Balance at 31 December 2005	**58,715**	**232,251**	**-**	**290,966**
Charges to profit and loss:				
Individually determined	33,049	-	-	33,049
Collectively determined	7,741	39,936	-	47,677
Recovery of provisions taken to results	(14,128)	-	-	(14,128)
Defaulted loans written off against funds	(9,833)	-	-	(9,833)
Exchange differences	-	-	-	-
Transfer between funds	-	-	-	-
Other	(674)	-	-	(674)
Balance at 31 December 2006	**74,870**	**272,187**	**-**	**347,057**
Of which:				
According to method of determination:				
Individually determined	67,129	-	-	67,129
Collectively determined	7,741	272,187	-	279,928
According to geographical area of risk location:				
Spain	74,870	272,187	-	347,057
Rest of Europe	-	-	-	-
According to type of hedged asset:				
Loans and advances to credit institutions	-	-	-	-
Money market operations through counterparties	-	-	-	-
Loans and advances to other debtors	74,870	272,187	-	347,057
Debt securities	-	-	-	-

In 2007 Euros 22,973 thousand have been provided as hedging for a group of operations rated in the substandard category specified in point 7.b. of annex IX to Bank of Spain Circular 4/2004. In order to determine this rating and hedging the Entity has followed criteria associated with the evolution of the fixed asset cycle, which combine price acceleration rates with activity rates by municipal area. With this transfer, the fund established to hedge substandard risk comes to an amount of Euros 30,714 thousand.

Details of “Impairment losses - Loans and receivables” (Note 23) in the income statement at 31 December 2007 and 2006 are as follows:

	Thousands of Euros	
	2007	2006
Provision for the year:	**(132,612)**	**(85,306)**
Specific and generic funds	(124,655)	(80,726)
Net write-offs of loan losses	(7,957)	(4,580)
Recovery of defaulted loans	**8,722**	**6,026**
Other recoveries	**14,508**	**14,128**
Total	**(109,382)**	**(65,152)**

6.6. Derivative assets/liabilities used for hedging

This caption of the accompanying balance sheets includes the hedging instruments booked at fair value according to Note 3.4.

At 31 December 2007 and 2006 the fair value of derivative assets came to Euros 9,390 thousand and Euros 6,052 thousand, respectively, and that of derivative liabilities amounted to Euros 97,338 thousand and Euros 53,342 thousand, respectively.

Derivatives contracted and their hedged elements include the following:

> Interest Rate Swap, hedging fixed-interest Deposits from other creditors.

> Equity Swap, hedging Deposits from other creditors that are index-linked to various stock exchanges.

> Financial futures on stock market indexes, hedging the value variations in monetary funds investments included under “Available-for-sale assets”.

The valuation methods used to determine the fair value of derivatives include the discounted cash flow method for valuations of interest rate derivatives and the Monte Carlo simulation technique for structured product valuations with optional components.

Details of the notional and fair values of financial derivatives entered as "Derivative assets/liabilities used for hedging" for the years ended 31 December 2007 and 2006, classified by counterparty, term to maturity and risk type are as follows:

	Thousands of Euros					
	Notional		Fair value			
			Assets		Liabilities and Equity	
By counterparty	2007	2006	2007	2006	2007	2006
Resident credit entities	341,501	389,289	4,172	4,499	95,292	45,072
Non-resident credit entities	1,700,000	1,701,000	-	-	-	-
Other resident financial entities	268,750	229,100	5,218	1,553	2,046	1,468
Other non-resident financial entities	79,400	26,024	-	-	-	-
Other resident sectors	-	176,509	-	-	-	6,802
Other non-resident sectors	-	-	-	-	-	-
Total	2,389,651	2,521,922	9,390	6,052	97,338	53,342
By remaining term						
Up to 1 year	443,537	347,513	9,156	146	2,613	9,346
Between 1 and 5 years	168,923	467,609	234	5,906	1,763	320
Over 5 years	1,777,191	1,706,800	-	-	92,962	43,676
Total	2,389,651	2,521,922	9,390	6,052	97,338	53,342
By risk type						
Exchange risk	-	2,000	-	-	-	32
Interest rate risk	2,190,601	2,135,554	6,227	3,889	95,220	45,141
Share risk	199,050	384,368	3,163	2,163	2,118	8,169
Credit risk	-	-	-	-	-	-
Other risks	-	-	-	-	-	-
Total	2,389,651	2,521,922	9,390	6,052	97,338	53,342

6.7. Financial liabilities at amortised cost

Details this liabilities caption in the accompanying balance sheets at 31 December 2007 and 2006 are as follows:

	Thousands of Euros	
	2007	2006
Deposits from central banks	1,154,024	-
Deposits from credit institutions	769,751	594,876
Money market operations through counterparties	-	-
Deposits from other creditors	17,342,304	15,490,197
Debt securities	1,959,944	916,847
Subordinated liabilities	359,445	359,021
Other financial liabilities	269,877	219,264
Total	21,855,345	17,580,205

a) Deposits from central banks

The breakdown of the balances in this account in the accompanying balance sheets is:

	Thousands of Euros	
	2007	2006
Bank of Spain	1,150,000	-
Other central banks	-	-
Valuation adjustments	4,024	-
Total	**1,154,024**	**-**

The balance entered in the "Bank of Spain" heading stated above at 31 December 2007, corresponded to the short-term financing obtained by the Entity through the credit contract with pledged securities and other assets subscribed with the Bank of Spain in virtue of the mechanisms arbitrating the Eurosystem's monetary policy, under which credit of Euros 2,875,479 thousand has been granted (Notes 6.4.a. and 6.5.b.4.).

b) Deposits from credit institutions

Details of the balance sheet liabilities caption "Financial liabilities at amortised cost" by instrument type is as follows:

By type (liabilities)	Thousands of Euros	
	2007	2006
Nostro/vostro accounts	**10,322**	**9,319**
Term deposits	**725,532**	**572,059**
Shares issued	**-**	**-**
Other financial liabilities associated with transferred financial assets	**-**	**-**
Hybrid financial liabilities:	**-**	**-**
With guaranteed capital	-	-
With embedded credit derivative	-	-
Other	-	-
Sale of assets with repurchase agreement	**-**	**-**
Other deposits	**28,324**	**10,652**
Valuation adjustments:	**5,573**	**2,846**
Value adjustments due to asset impairment	-	-
Accrued interest:		
Resident entities	5,578	2,880
Non-resident entities	-	-
Micro-hedging operations	-	-
Liabilities at fair value	-	-
Premiums/discounts on acquisition	-	-
Embedded derivatives	-	-
Transaction costs	(5)	(34)
Total	**769,751**	**594,876**

Details by term to maturity of this caption can be found in Note 6.1.c. on liquidity risk.

c) Deposits from other creditors

Details of this liabilities caption booked under “Financial liabilities at amortised cost” in the accompanying balance sheets, by counterparty and type of financial instrument, are as follows:

By counterparty and type of financial instrument

	Thousands of Euros	
	2007	**2006**
Spanish public entities	**419,250**	**232,956**
Other resident sectors:	**16,626,790**	**14,960,557**
Demand deposits:	**5,792,395**	**5,756,745**
Current accounts	2,830,036	2,912,593
Savings accounts	2,962,034	2,844,152
Electronic funds	325	-
Other demand deposits	-	-
Term deposits:	**10,842,384**	**9,202,573**
Fixed-term deposits	8,211,065	6,358,125
Home buyers' savings accounts	55,462	52,669
Discounted deposits	-	-
Shares issued (Note 6.5.b.4.)	2,339,722	2,608,856
Other financial liabilities related to transferred financial assets	-	-
Hybrid financial liabilities	234,020	180,893
Other term deposits	2,115	2,030
Deposits redeemable at notice	**-**	**-**
Temporary ceding of assets	**-**	**-**
Valuation adjustments	**(7,989)**	**1,239**
Non-resident public entities	**-**	**-**
Other non-resident sectors	**296,264**	**296,684**
Total	**17,342,304**	**15,490,197**

The opening balance of the “Fixed-term deposits” caption includes different issues of Covered Bonds as permitted by Law 2/1981 of 25 March regarding Mortgage Market Regulation.

During 2007 the Entity has not performed any issues.

Details of Covered Bond issues made and pending maturity are as follows:

Date		Thousands of Euros				
Issue	**Maturity**	**Cash**	**Rating**	**Agency**	**Interest rate**	**Hedging**
19/11/2004	19/11/2014	500,000	AAA	Standar & Poor´s	4.00%	E12 + 0.1475%
11/03/2005	11/03/2015	200,000	AAA Aaa	Standar & Poor´s Moody´s Investors Service, Ltd.	3.75%	E12 +0.1115%
02/12/2005	02/12/2015	500,000	AAA Aaa	Standar & Poor´s Moody´s Investors Service, Ltd.	3.51%	E12 + 0.1221%
29/05/2006	29/05/2016	300,000	AAA Aaa	FITCH Moody´s Investors Service, Ltd.	Euribor 3 months + 0.06%	
09/06/2006	09/09/2016	500,000	AAA Aaa	FITCH Moody´s Investors Service, Ltd.	4.26%	E12 + 0.129%
Total issues: 2,000,000						

Details by term to maturity of this entry can be found in Note 6.1.c. on liquidity risk.

d) Debt securities

Details of this caption in the accompanying balance sheets, by type of financial liability, are as follows:

	Thousands of Euros	
	2007	2006
Promissory notes and bills	1,138,987	112,088
Mortgage securities	-	-
Other securities related to transferred financial assets	-	-
Convertible securities	-	-
Hybrid securities	-	-
Other non-convertible securities	800,000	800,000
Treasury shares	-	-
Valuation adjustments	20,957	4,759
Total	1,959,944	916,847

The movement in each type of financial liability during 2007 and 2006is as follows:

	Thousands of Euros			
	2007		2006	
	Promissory notes and bills	Other non-convertible securities	Promissory notes and bills	Other non-convertible securities
Opening balance	112,088	800,000	483,684	400,000
Additions	1,809,697	-	279,061	400,000
Disposals	(782,798)	-	(650,657)	-
Transfers	-	-	-	-
Closing balance	1,138,987	800,000	112,088	800,000

The balance of “Other non-convertible securities” comprises the “Cajamar 2004 Straight Bonds” issue performed on 22 December 2004 for Euros 400,000 thousand, with maturity on 22 December 2009 and a variable interest of EURIBOR at 3 months plus 0.20%, and the issue of “Cajamar 2006 Straight Bonds” performed in 2006 on 14 July, for Euros 400,000 thousand, with maturity on 14 July 2011 and a variable interest of EURIBOR at three months plus 0.20%. Both issues were accepted for trading on the AIAF Fixed-Income Market and awarded a credit rating of A by Fitch.

Additions recorded during 2007 and 2006 correspond to a issues performed within a macro promissory notes issue of Euros 1,000,000 thousand, increasable to Euros 2,000,000 thousand, and of Euros 750,000 thousand, increasable to Euros 1,500,000 thousand, respectively. The average interest rate has been 4.47% in 2007 and 3.11% in 2006. During 2007 and 2006 amounts of Euros 782,798 thousand and 650,657 thousand, respectively, have been written off upon maturity.

Details by term to maturity of this entry can be found in Note 6.1.c. on liquidity risk.

e) Subordinated liabilities

This account, included in "Financial liabilities at amortised cost", records the amount of financing received, irrespective of the instrument type which, for credit seniority purposes are junior to claims of general creditors, in accordance with Law 13/1985 of 25 May, and Royal Decree 1370/1985 of 1 August.

Details in the accompanying balance sheet, by type of financial liability and counterparty, are as follows:

By type of financial liability and counterparties:	Thousands of Euros 2007	Thousands of Euros 2006
Subordinated debt securities:	360,000	360,000
Convertible	-	-
Non-convertible	360,000	360,000
Subordinated deposits:	-	-
Resident credit entities	-	-
Non-resident credit entities	-	-
Other resident sectors	-	-
Non-residents	-	-
Valuation adjustments	(555)	(979)
Total	359,445	359,021

Details of the different issues made are as follows:

Issue	Currency	Issue date	Maturity date	Amount in thousands of euros	Interest rate
Cajamar Subordinated Bonds 2001	Euros	15/12/2001	15/12/2008	60,000	Euribor 3 months + 0.25%
Cajamar Subordinated Bonds 2005	Euros	16/033/05	16/033/15	300,000	Euribor 3 months + 0.30%
Total				360,000	

The "Cajamar Subordinated Bonds 2001" and "Cajamar Subordinated Bonds 2005" issues were fully subscribed. The latter was accepted for trading on the AIAF Fixed-Income Market and awarded a credit rating of A- by Fitch.

No new issues have been carried out during 2007 and 2006.

The prospectuses, prepared in accordance with the Spanish National Securities Market Commission's Circular 2/1991, were registered in the Official Registry of this authority on 14 September 2001 and 3 March 2005, respectively.

Accrued interest during 2007 and 2006 for these issues came to Euros 16,412 thousand and Euros 11,657 thousand, respectively (Note 23), and are booked under the "Interest expense and similar charges" caption in the accompanying income statements.

The issue of bonds referred to as "Cajamar Subordinated Bonds 2005" has been qualified with second category capital adequacy (TIER II) according to letter g), section 1, Regulation 8 of Circular 5/1993 of 26 March.

Details by term to maturity of this entry can be found in Note 6.1.c. on liquidity risk.

f) Other financial liabilities

All the financial liabilities recorded in this account of the accompanying balance sheets are classified under "Financial liabilities at amortised cost" and are therefore measured at their amortised cost. Included in this amount is capital having the nature of a financial liability not included under other captions.

Details of other financial liabilities grouped by financial instrument type are as follows:

	Thousands of Euros	
	2007	2006
Payment commitments	71,903	25,919
Guarantee deposits received	1,451	850
Clearing houses	13,760	29,879
Collection accounts payable	68,228	63,672
Special accounts	114,032	98,944
Other items	503	-
Total	**269,877**	**219,264**

7. Financial Guarantees

Details of financial guarantees granted by the Entity at the 2007 and 2006 year ends, the nominal value of which is recorded in memorandum accounts are as follows:

	Thousands of Euros	
	2007	2006
Guarantees	-	-
Financial guarantees	365,457	329,002
Technical guarantees	460,875	484,423
Irrevocable letters of credit	4,525	669
Confirmed letters of credit	-	-
Total	**830,857**	**814,094**

A significant portion of these amounts will mature without giving rise to a payment obligation for the Entity. Therefore, the overall balance of these commitments cannot be considered as a real future financing or liquidity need to be granted to third parties by the Entity.

Income generated on guarantee instruments is taken to "Fee and Commission Income" in the income statement and is calculated by applying the rate established in the corresponding contract to the nominal amount of the guarantee. Commissions pending accrual for 2007 and 2006 amount to Euros 32,430 thousand and Euros 30,012 thousand, respectively (Note 12).

The current value of future cash flows pending receipt for these contracts amount to Euros 33,748 thousand and Euros 30,773 thousand for 2007 and 2006, respectively (Note 6.5.c.).

The hedging of future payments related to financial items is recorded in the liabilities caption "Provisions for contingent exposures and commitments" and amounts to Euros 14,132 and Euros 14,723 thousand for 2007 and 2006, respectively (Note 15).

8. Liabilities associated with non-current assets held for sale

The breakdown of this caption in the accompanying balance sheets at 31 December 2007 and 2006 is the following:

	Thousands of Euros			
	2007		2006	
	Assets	Liabilities and Equity	Assets	Liabilities and Equity
Loans and advances to credit institutions	-	-	-	-
Loans and advances to other debtors	-	-	-	-
Debt certificates including bonds	-	-	-	-
Equity instruments	-	-	-	-
Tangible assets	3,725	-	2,102	-
Other assets	-	-	-	-
	3,725	**-**	**2,102**	**-**
Of which:				
Measured at fair value	2,577	-	2,224	-
Impairment losses (Note 13)	-	-	(285)	-

Details of tangible assets by purpose are as follows:

Tangible assets	Thousands of Euros							
	Residential		Industrial		Agricultural		Other	
	2007	2006	2007	2006	2007	2006	2007	2006
Assets for own use	-	-	2,577	1,940	-	-	-	-
Foreclosed	648	72	276	17	224	73	-	-
Other assets	-	-	-	-	-	-	-	-

Details of movement recorded in these captions on the balance sheet during 2007 and 2006 are as follows:

	Thousands of Euros				
	Tangible assets for own use		Foreclosed		
	Assets	Liabilities and Equity	Assets	Liabilities and Equity	
Balance at 31 December 2005	**4,195**	**-**	**2,640**	**-**	
Additions		-	-	228	-
Disposals		(2,875)	-	(2,405)	-
Transfers	904	-	(300)	-	
Balance at 31 December 2006	**2,224**	**-**	**163**	**-**	
Incorporation Caja Rural del Duero	-	-	138	-	
Additions		-	-	850	-
Disposals		(1,193)	-	(3)	-
Transfers	1,546	-	-	-	
Balance at 31 December 2007	**2,577**	**-**	**1,148**	**-**	

During 2007 the Entity transferred certain assets for own use to this caption, mainly business premises whose carrying value is expected to be recovered on disposal, for the gross amount of Euros 1,546 thousand (Euros 904 thousand in 2006).

The assets recorded at fair value in this caption at 31 December 2007 and 2006, based on the valuations carried out by appraisal agencies applying the comparison method, is Euros 2,577 thousand and Euros 2,224 thousand at 31 December, respectively.

During 2007 there have been no significant disposals in assets foreclosed in payment of debts. Disposals in 2006 corresponded to the sale of foreclosed land in settlement of a debt amounting to a gross sum of Euros 2,405 thousand, generating a profit of Euros 1,032 thousand.

The average sale period for assets acquired in settlement of debts is less than twelve months.

The amount of loans granted for financing sales of foreclosed tangible assets of the Entity has come to Euros 179 thousand in 2007 (Euros 195 thousand in 2006). At 31 December 2007 the average financed percentage of total foreclosed assets sold is 8.91% (3.59% at 31 December 2006). At 31 December 2007 no earnings resulting from this type of asset financing remain pending recognition.

9. Investments

The breakdown of this caption in the accompanying balance sheets is the following:

	Thousands of Euros	
	2007	2006
Associate entities	48,804	55,423
Securities held by the entity	57,103	57,909
Of which: Banks	-	-
Valuation adjustments:		
Asset impairment adjustments	(8,299)	(2,486)
Micro-hedging operations	-	-
Jointly controlled companies	40	40
Securities held by the entity	300	300
Of which: Banks	-	-
Valuation adjustments:		
Asset impairment adjustments	(260)	(260)
Micro-hedging operations	-	-
Group entities	28,379	26,630
Securities held by the entity	50,026	43,770
Of which: Banks	-	-
Valuation adjustments:		
Asset impairment adjustments	(21,647)	(17,140)
Micro-hedging operations	-	-
Total	77,223	82,093

At 2007 and 2006 year end “Investments” only include unquoted securities and, excluding the valuation adjustments corresponding to asset impairment adjustments, have recorded the following movements.

Cost of investments

	Thousands of Euros	
	2007	2006
Opening balance	101,979	48,465
Additions	12,781	53,987
Disposals	(7,331)	(473)
Transfers	-	-
Equity valuation adjustments	-	-
Closing balance	107,429	101,979

Appendix I includes the breakdown and relevant information regarding investments at 31 December 2007 and 2006.

The most significant additions in 2006 corresponded to the investment in the companies Inmobiliario Aguamar, S.L. and Albamar Sur, S.L. for Euros 39,999 thousand and Euros 1,250 thousand, respectively, classified as associates, and the capital increase of Euros 5,000 thousand corresponding to the Grupo Hispatec Informática Empresarial, S.A., classified as a Group company.

During 2007 the most significant movements in "Investments" correspond to the capital increases in the companies Cajamar Gestión, S.G.I.I.C, S.A. and Grupo Hispatec Soluciones Globales, S.L., for Euros 1,000 thousand and Euros 5,378 thousand, respectively.

Furthermore, additions for the year under the "Investments" caption includes the spin-off of the branch of activity of the company Albaida Recursos Naturales y Medioambiente, S.A. that has given rise to a new company named Albaida Residuos, S.L. This spin-off has caused a reduction in the cost of the investment in the demerged company equivalent to Euros 5,403 thousand, which has been included as the acquisition cost of the beneficiary of the spin-off, the company Albaida Residuos, S.L.

During 2004, 50% of the share capital of Cajamar Vida, S.A. de Seguros y Reaseguros was sold to Generali España, Holding de Entidades de Seguros, S.A. The Entity still holds the remaining 50% of the shares. In accordance with the sale contract of the shares, their overall price, which will be determined in 2019, will be adjusted according to the business volume generated by Cajamar Vida over the next fifteen years. The overall price is made up of a fixed portion, Euros 9,508 thousand received during 2004, and a variable portion based on the business value generated until 2019. The sale conditions include the granting of a call option in favour of the Entity and a put option in favour of Generali España, Holding de Entidades de Seguros, S.A. for the shares sold. The strike price of the aforementioned options will be set according to the market price of the shares or the net amount paid for them. The income from the variable price is entered yearly according to the business generated by Cajamar Vida, amounting to Euros 9,777 and Euros 4,685 thousand in 2007 and 2006, respectively.

Movements during 2007 and 2006 in the valuation adjustments corresponding to asset impairment adjustments in this balance sheet caption are as follows:

	Thousands of Euros	
	2007	**2006**
Opening balance	(19,886)	(10,367)
Provisions (Note 23)	(7,466)	(4,858)
Recovered funds (Note 23)	1,264	463
Write-offs due to use, transfers and others	(4,118)	(5,124)
Closing balance	(30,206)	(19,886)

Provisions for 2006 mainly corresponded to the impairment recorded in the company Albaida Recursos Naturales y Medio Ambiente, S.A. for Euros 2,366 thousand.

Provisions recorded in 2007 mainly correspond to the impairment registered in the companies Grupo Inmobiliario Aguamar, S.L. and Albaida Residuos, S.L. for Euros 5,475 thousand and Euros 1,318 thousand, respectively. The most significant transfer amount corresponds to the reclassification from "Other Provisions" to prior years' losses booked in the company Grupo Hispatec Soluciones Globales, S.L.

Profit from “Investments” at 31 December 2007 and 2006 amount to Euros 196 and Euros 4,351 thousand (Note 23), respectively. On 31 May 2006 and 29 September 2006, the subsidiary Sunaria Capital, S.L.U. approved the distribution of dividends on account of profits for the year for Euros 2,000 thousand, totalling dividend distributions of Euros 4,000 thousand. These dividends announced were settled during 2006.

The caption “Loans and advances to other debtors - Valuation adjustments” includes amounts of Euros 4,100 thousand and Euros 9,156 thousand at 31 December 2007 and 2006, respectively, corresponding to profits generated on the sale of investments pending recording, derived from the financing of the aforementioned sale transactions.

10. Tangible assets

Details of this balance sheet caption at 31 December 2007 and 2006 are as follows:

	Thousands of Euros	
	2007	2006
Own use	335,232	281,541
Investment properties	9,958	9,167
Other assets leased out under an operating lease	331	752
Education and Development Fund (Note 19)	3,558	2,153
Impairment adjustments	(346)	(291)
Total	**348,733**	**293,322**

The breakdown of tangible assets for own use registered in this balance sheet caption and its variations during 2007 and 2006 are as follows:

	Thousands of Euros					
For own use	Computer equipment	Furniture, Fixtures and other	Buildings	Buildings under construction	Other	Total
Cost						
Balance at 31 December 2005	**76,945**	**172,214**	**154,582**	**16,709**	**1,443**	**421,893**
Additions	5,644	13,602	439	25,088	-	44,773
Disposals	(657)	(397)	(504)	(296)	-	(1,854)
Transfers	402	3,722	6,021	(11,043)	24	(874)
Balance at 31 December 2006	**82,334**	**189,141**	**160,538**	**30,458**	**1,467**	**463,938**
Incorporation of Caja Rural del Duero	4,942	15,352	28,869	-	362	49,525
Additions	8,224	11,200	283	30,003	-	49,710
Disposals	(2,164)	(2,102)	(373)	(138)	-	(4,777)
Transfers	987	9,224	11,340	(23,681)	-	(2,130)
Balance at 31 December 2007	**94,323**	**222,815**	**200,657**	**36,642**	**1,829**	**556,266**
Accumulated Depreciation						
Balance at 31 December 2005	**(52,442)**	**(87,948)**	**(15,513)**	**-**	**(50)**	**(155,953)**
Additions	(9,335)	(15,639)	(2,413)	-	(15)	(27,402)
Disposals	548	278	132	-	-	958
Transfers	-	-	-	-	-	-
Balance at 31 December 2006	**(61,229)**	**(103,309)**	**(17,794)**	**-**	**(65)**	**(182,397)**
Incorporation of Caja Rural del Duero	(3,823)	(9,073)	(2,152)	-	(37)	(15,085)
Additions	(8,859)	(16,047)	(2,483)	-	(16)	(27,405)
Disposals	1,816	1,817	147	-	-	3,780
Transfers	-	-	73	-	-	73
Balance at 31 December 2007	**(72,095)**	**(126,612)**	**(22,209)**	**-**	**(118)**	**(221,034)**

For own use	Computer equipment	Furniture, Fixtures and other	Buildings	Buildings under construction	Other	Total
	Thousands of Euros					
Impairment losses						
Balance at 31 December 2005	-	-	(297)	(285)	-	(582)
Additions	-	-	-	-	-	-
Disposals	-	-	6	285	-	291
Transfers	-	-	-	-	-	-
Balance at 31 December 2006	-	-	(291)	-	-	(291)
Incorporation of Caja Rural del Duero	-	-	(82)	-	-	(82)
Additions		-	-	-	-	- -
Disposals	-	-	27	-	-	27
Transfers	-	-	-	-	-	-
Balance at 31 December 2007	-	-	(346)	-	-	(346)

Details of investment properties, operating leases and tangible assets assigned to the Education and Development Fund, recorded in this balance sheet caption and movement during 2007 and 2006, are as follows:

	Thousands of Euros				
	Investment properties			Education and Development Fund	
	Buildings	Property, plots and sites	Other assets leased out under an operating lease	Furniture and Fixtures	Property
Cost					
Balance at 31 December 2005	20,242	-	1,895	2,120	3,123
Additions	195	-	-	18	-
Disposals	(10,036)	-	(481)	(433)	-
Transfers	270	-	-	-	-
Balance at 31 December 2006	10,671	-	1,414	1,705	3,123
Additions	425	-	-	-	1,658
Disposals	(23)	-	(630)	-	-
Transfers	37	547	-	-	-
Balance at 31 December 2007	11,110	547	784	1,705	4,781
Accumulated Depreciation					
Balance at 31 December 2005	(1,394)	-	(646)	(1,530)	(1,323)
Additions	(110)	-	(256)	(103)	(152)
Disposals	-	-	240	433	-
Transfers	-	-	-	-	-
Balance at 31 December 2006	(1,504)	-	(662)	(1,200)	(1,475)
Additions	(140)	-	(154)	(84)	(169)
Disposals	18	-	363	-	-
Transfers	(73)	-	-	-	-
Balance at 31 December 2007	(1,699)	-	(453)	(1,284)	(1,644)

	Thousands of Euros				
	Investment properties			Education and Development Fund	
	Buildings	Property, plots and sites	Other assets leased out under an operating lease	Furniture and Fixtures	Property
Impairment losses					
Balance at 31 December 2005	(2,696)	-	-	-	-
Additions	-	-	-	-	-
Disposals	2,696	-	-	-	-
Transfers	-	-	-	-	-
Balance at 31 December 2006	-	-	-	-	-
Incorporation of Caja Rural del Duero	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Balance at 31 December 2007	-	-	-	-	-

Included in the net balance shown in the table above at 31 December 2007 are items totalling Euros 4,399 thousand (Euros 4,437 thousand at 31 December 2006) corresponding to tangible assets recovered by the Entity in the in settlement of third-party debt.

During 2006, the most significant movements correspond to the sale of a number of assets classified as real estate investments for a global sum of Euros 30,953 thousand. These sales generated profits of Euros 21,114 thousand, of which Euros 6,361 thousand were recorded, thereby leaving unrecorded gains at 31 December 2006 deriving from the financing of operations, for Euros 14,753 thousand, of which Euros 5,003 thousand has been recorded in 2007. These sales also enabled impairment losses of Euros 2,696 thousand to be recovered in 2006.

At 31 December 2007, the Entity had commitments to purchase assets for Euros 20,176 thousand, and has no firm commitment to purchase or sell assets in 2006.

Fully depreciated assets still in use by the Entity at 31 December 2007 amount to Euros 99,903 thousand (Euros 74,032 thousand at 31 December 2006).

Property for own use and investment properties are as follows:

	Thousands of Euros			
	Fair value		Carrying value	
	2007	2006	2007	2006
Property for own use (*)	215,029	142,453	178,102	142,453
Investment properties (*)	16,127	9,167	9,411	9,167
Total	231,156	151,620	187,513	151,620

* These assets were appraised in 2007 by appraisal agencies using the comparison method.

Income on the rental of property investments during 2007 and 2006 has amounted to Euros 675 thousand and Euros 657 thousand (Note 23), respectively. Operating expenses corresponding to these investments were, for the said years, Euros 73 and Euros 94 thousand, respectively.

Operating and financial leases

The debtor balances receivable from customers on account of financial leases are set forth in Note 6.5.b. of "Loans and advances to other debtors". Furthermore, assets leased out under an operating lease are detailed under the Tangible assets section of this Note.

The following tables show a detailed summary of lease transactions classified as financial and operating leases in 2007:

Financial Leases	General description of contractual conditions	Carrying value of loans granted	Unaccrued financial income	Unse cured residual value	Default risk and residual value adjustments
	Thousands of Euros				
Financial Leases	Fixed assets	199,891	24,230	8,247	4,198
Financial Leases	Property	33,418	14,327	1,786	702
Financial Leases	Technological operating lease	178	-	3	-

Operating leases	General description of contractual conditions	Expense for the year	Total collections	Total preparation and investment expenses
	Thousands of Euros			
Operating leases	Asset operating lease	183	371	-

The reconciliation between the current value of the collections and payments to be performed as lessor, plus any insured value and the unrestated amount of the stated sums is as follows:

Financial Leasing	"Fair value (carrying value)"	Financial interest	Unrestated collections and payments
	Thousands of Euros		
Lessor	168,811	11,274	191,014

11. Intangible assets

Details of this balance sheet caption at 31 December 2007 and 2006 correspond are as follows:

	Definite useful life	2007	2006
	Thousands of Euros		
Estimated useful life	**-**	**-**	**-**
Indefinite useful life	**3 year**	**54,562**	**46,810**
Gross Total		**54,562**	**46,810**
Of which:			
Developed in-house	-	-	-
Other	3 year	54,562	46,810
Accumulated amortisation	-	(43,492)	(38,205)
Impairment losses	-		
Net Total		**11,070**	**8,605**

The variations (gross amounts) in this balance sheet caption during 2007 and 2005 are as follows:

	Thousands of Euros			
	Intangible assets with indefinite useful life		Intangible assets with definite useful life	
	2007	2006	2007	2006
Cost				
Opening balance	-	-	46,810	39,992
Incorporation of Caja Rural del Duero	-	-	14	-
Additions	-	-	7,796	6,820
Disposals	-	-	(58)	(2)
Other	-	-	-	-
Closing balance	-	-	54,562	46,810
Amortisation				
Opening balance	-	-	(38,205)	(30,529)
Incorporation of Caja Rural del Duero	-	-	(2)	-
Additions	-	-	(5,285)	(7,677)
Disposals	-	-	-	1
Other	-	-	-	-
Closing balance	-	-	(43,492)	(38,205)
Impairment losses				
Opening balance	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Other	-	-	-	-
Closing balance	-	-	-	-
Net Total	-	-	11,070	8,605

At 31 December 2007 and 2006 all the items included in this caption correspond to computer applications.

Fully amortised intangible assets still in use by the Entity at 31 December 2007 amount to Euros 37,263 thousand (Euros 27,325 thousand at 31 December 2006).

12. Prepayments and accrued income

Details of these asset and liability captions in the accompanying balance sheets for 2007 and 2006 are as follows:

	Thousands of Euros	
	2007	2006
Assets:		
Other prepayments and accrued income	32,069	17,348
	32,069	17,348
Liabilities and Equity:		
For financial guarantees (Note 7)	32,430	30,012
Other accruals	22,625	12,666
	55,055	42,678

13. Non-financial asset impairment adjustments

Details of movement in non-financial asset impairment adjustments during 2007 and 2006 are as follows:

2007 By asset type	Thousands of Euros					
	Non-current assets held for sale	Investments	Tangible assets	Goodwill	Other assets	Total
Opening balance specific provision	(285)	(19,886)	(291)	-	-	(20,462)
Charges to profit and loss for the year (Notes 8, 9, 10 and 23)	-	(7,466)	-	-	-	(7,466)
Incorporation of Caja Rural del Duero	-	-	(82)	-	-	(82)
Recovered funds (Notes 8, 9, 10 and 23)	285	1,264	-	-	-	1,549
Write-offs due to use, transfers and others	-	(4,118)	27	-	-	(4,091)
Closing balance specific provision	-	(30,206)	(346)	-	-	(30,552)

2006 By asset type	Thousands of Euros					
	Non-current assets held for sale	Investments	Tangible assets	Goodwill	Other assets	Total
Opening balance specific provision	-	(10,367)	(3,278)	-	-	(13,645)
Charges to profit and loss for the year (Notes 8, 9, 10 and 23)	(285)	(4,858)	-	-	-	(5,143)
Recovered funds (Notes 8, 9, 10 and 23)	-	463	2,987	-	-	3,450
Write-offs due to use, transfers and others	-	(5,124)	-	-	-	(5,124)
Closing balance specific provision	(285)	(19,886)	(291)	-	-	(20,462)

Impairment losses on investments

In order to calculate impairment losses, the Entity compares the recoverable value, this being the higher of the fair value less selling costs and use value, and the carrying value (Note 3.8.). Charges in 2007 mainly correspond to the impairment recorded in the companies Grupo Inmobiliario Aguamar, S.L. and Albaida Residuos, S.L. for Euros 5,475 thousand and Euros 1,318 thousand, respectively, and impairment losses recorded during 2006 mainly corresponded to the Euros 2,366 thousand investment held in Albaida Recursos Naturales y Medio Ambiente, S.A. (Note 9).

Tangible assets

Impairment losses on tangible assets are calculated by comparing the fair values based on appraisals performed by independent experts with the carrying value (Notes 3.9. and 10.).

14. Other assets and liabilities

Details of these asset and liability captions in the accompanying balance sheets for 2007 and 2006 are as follows:

	Thousands of Euros	
	2007	**2006**
Assets:		
Inventories:	-	-
Amortised cost	-	-
Asset impairment adjustments	-	-
Other:		
Net assets in pension plans (Note 15)	4,889	5,660
Operations in transit	31,379	38,410
Other items	8,267	2,935
Total	**44,535**	**47,005**
Liabilities and Equity:		
Education and Development Fund (Note 19)	7,306	6,253
Other:		
Operations in transit	21,977	44,255
Other items	2,821	27,010
Total	**32,104**	**77,518**

15. Provisions

The breakdown of this caption in the balance sheet at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	**2006**
Pension fund and similar obligations	12,547	4,735
Provisions for risks and contingent exposures (Note 7)	14,132	14,723
Other provisions	66,137	58,200
Total	**92,816**	**77,658**

Pension and similar obligations

Details of asset and liability items corresponding to defined benefit s commitments are as follows:

	Thousands of Euros	
	2007	**2006**
Other Assets - Net assets in pension plans (Note 14)	4,889	5,660
Provisions - Pension fund and similar obligations	12,547	4,735

The current value of the Entity's commitments, based on the hypotheses set forth in Note 3.21., assumed with regard to post-employment remuneration and the hedging of these commitments, giving rise to the aforementioned balance sheet items, are as follows:

	Thousands of Euros					
	2007			2006		
	Active and retired staff	Early retirement	Other commitments	Active and retired staff	Early retirement	Other commitments
Current value of obligations:						
Commitments to active staff	28,545	-	-	28,464	-	-
Commitments to early-retired staff	-	12,242	305	-	4,429	306
Commitments to retired staff	10,915	-	-	4,654	-	-
Fair value of plan assets (-):						
Pension Plan Assets	(34,594)	-	-	(44,874)	-	-
Insurance Policy	(11,917)	-	-	(8,368)	-	-
Actuarial profit not recognised in the balance sheet (+)	17	-	-	1,071	-	-
Actuarial losses not recognised in the balance sheet (-)	-	-	-	-	-	-
Cost of past services not yet recognised in the balance sheet (-)	-	-	-	-	-	-
Other assets not recognised in the balance sheet	2,145	-	-	13,393	-	-
(Other assets) / Provisions recognised in the balance sheet	**(4,889)**	**12,242**	**305**	**(5,660)**	**4,429**	**306**

Details of movement in net assets and liabilities recognised on the balance sheets are as follows:

	Thousands of Euros					
	2007			2006		
	Active and retired staff	Early retirement	Other commitments	Active and retired staff	Early retirement	Other commitments
(Other assets) / Provisions opening balance for year	**(5,660)**	**4,429**	**306**	**(6,777)**	**5,643**	**304**
Incorporation of Caja Rural del Duero	(124)					
Provisions	5,884	10,480	-	2,625	372	-
Recovered funds	-	-	-	-	-	-
Other movements	-	-	(1)	501	-	2
Cash outflow	(4,989)	(2,667)	-	(2,009)	(1,586)	-
(Other assets) / Provisions closing balance for year	**(4,889)**	**12,242**	**305**	**(5,660)**	**4,429**	**306**

The breakdown of total expenses and income recognised in the income statement in relation to pensions during 2007 and 2006, distributed between the different items in accordance with Circular 4/2004, is as follows:

	Thousands of Euros	
	2006	2005
Personnel expenses (ordinary cost for the period) (Note 23)	(1,217)	(1,290)
Interest expense and similar charges (cost of interest) (Note 23)	(1,570)	(1,687)
Interest and similar earnings (expected earnings from Plan assets) (Note 23)	1,744	2,010
Provisions (Note 23)		
Actuarial profit and losses	(4,532)	2,801
Cost of past services	-	-
Other (liquidation reduction effect)	(10,789)	(4,831)
Accounting (expense) / income	**(16,364)**	**(2,997)**

The contributions made by the Entity to the external pension fund during 2007 and 2006 in relation to defined contribution pension commitments amounted to Euros 2,681 thousand and Euros 2,465 thousand and are booked under “Personnel expenses” in the income statements for said years (Note 23).

Provisions for risks and contingent exposures

Details and movement during 2007 and 2006 in this balance sheet account are as follows:

	Thousands of Euros		
	Provision for contingent exposures		
	Specific hedges	Generic hedges	Total
Balance at 31 December 2005	**3,015**	**11,642**	**14,657**
Provisions (Note 23)	675	476	1,151
Recoveries (Note 23)	(837)	(248)	(1,085)
Other movements	-	-	-
Balance at 31 December 2006	**2,853**	**11,870**	**14,723**
Provisions (Note 23)	913	232	1,145
Recoveries (Note 23)	(1,866)	(703)	(2,569)
Incorporation Caja Rural del Duero	352	481	833
Other movements	-	-	-
Balance at 31 December 2007	**2,252**	**11,880**	**14,132**

This caption includes the amount for provisions made to cover contingent exposures, understood to be operations in which the Entity guarantees third-party obligations arising as a result of financial guarantees granted or other types of contract, and of contingent commitments, understood to be irrevocable commitments that could lead to the recognition of financial assets (Note 7).

Other provisions

Movement in this account during 2007 and 2006 is as follows:

	Thousands of Euros			
2007	Market	Sundry	Other responsibilities	Total
Opening balances	**11,333**	**14,756**	**32,111**	**58,200**
Provisions (Note 23)	12,916	1,691	9,339	**23,946**
Value increases due to temporary transfer effect and discount rate change	-	-	-	**-**
Recovered funds (Note 23)	-	(451)	(9,148)	**(9,599)**
Funds used and other changes	(4,183)	(296)	(1,931)	**(6,410)**
Closing balances	**20,066**	**15,700**	**30,371**	**66,137**

	Thousands of Euros			
2006	Market	Sundry	Other responsibilities	Total
Opening balances	**10,607**	**10,133**	**18,570**	**39,310**
Dotaciones del ejercicio	6,323	4,623	14,842	**25,788**
Aumentos de valor por efecto paso temporal y cambio tipo de descuento	-	-	-	**-**
Fondos recuperados	-	-	-	**-**
Fondos utilizados y otros movimientos	(5,597)	-	(1,301)	**(6,898)**
Closing balances	**11,333**	**14,756**	**32,111**	**58,200**

In this account, the Entity records the different contingencies considered as probable, classified according to three types of risk:

> Market risk, caused by the Entity's activities with regard to investments which are likely to lead to contingencies.

> Sundry risks for which provisions have been made to cover unresolved matters for which the Entity considers outlay to be probable.

> Other responsibilities, estimate of probable outlays derived from the Entity's normal activity.

16. Equity valuation adjustments

The balance of this caption corresponds to “Available-for-sale financial assets” in the accompanying balance sheets and includes the net amount of movements in the fair value of assets classified as available-for-sale which, as set forth in Note 3.1., should be classified as an integral part of the Entity's equity (Note 6.4.d.).

Movement during 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Opening balance	22,513	22,889
Changes in the fair value of debt certificates including bonds	(477)	(1,911)
Net incorporation of debt certificates including bonds from Caja Rural del Duero	(124)	-
Changes in the fair value of equity instruments	3,363	4,206
Net incorporation of equity instruments from Caja Rural del Duero	1,093	-
Sale of available-for-sale financial assets	(3,253)	(3,985)
Deferred tax adjustment, Law 35/2006	-	1,314
Closing balance	23,115	22,513

Changes in the fair value of debt certificates including bonds correspond to the booking at fair value, net of tax, of fixed income securities. Changes in the fair value of equity instruments correspond to revaluations, net of tax, of equity instruments measured at fair value.

17. Capital (Equity) and Capital having the nature of a financial liability (Liabilities)

Movement in this captions during 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Opening balance:		
Capital booked under Equity (1)	462,933	390,268
Capital having the nature of a financial liability booked under Liabilities (2)	86,699	72,813
Total share capital (1) + (2)	549,632	463,081
Increases	131,107	183,667
Decreases	(86,233)	(97,116)
Incorporation Caja Rural del Duero	28,600	-
Closing balance		
Total share capital (3) + (4)	623,106	549,632
Capital booked under Equity (3)	528,951	462,933
Capital having the nature of a financial liability booked under Liabilities (4)	94,155	86,699

The Entity's minimum share capital, in accordance with article 47.1 of the Articles of Association, is set at Euros 6,100 thousand.

At 31 December 2007 and 2006 Total share capital includes Euros 94,155 thousand and Euros 86,699 thousand, respectively, recorded under “Capital having the nature of a financial liability” in accordance with the new regulatory framework defined in Circular 4/2004 (Note 3.2.).

The share capital is variable and is made up of mandatory contributions of Euros 61.

Members' contributions to share capital are represented by correlatively-numbered nominal title deeds. Total contributions to share capital by a single member cannot exceed 2.5% for private individuals and 5% for private entities. At 2007 year end the majority contribution amounted to 0.001% of the share capital, whilst at 2006 year end it came to 0.06%.

Capital contributions are remunerated in accordance with the decision of the Members at the General Assembly, subject to the limits set by prevailing legislation. During the current year interest was paid, charged to 2006 surplus, amounting to Euros 15,351 thousand and interest of Euros 28,406 thousand was booked, of which Euros 1,278 thousand correspond to Caja Rural del Duero, paid on account at year end (Note 5), of which Euros 4,015 thousand corresponding to settlement of “Capital having the nature of a financial liability” were taken to profit and loss (Notes 5 and 23) and Euros 24,391 thousand to Equity on the balance sheet.

18. Reserves

The Accumulated reserves balance under the “Equity” caption in the accompanying balance sheet is broken down as follows at 31 December 2007 and 2006:

	Thousands of Euros	
	2007	2006
Mandatory Reserve Fund	818,856	703,566
Revaluation Reserves Royal Decree-Law 7/1996	2,814	2,814
Revaluation reserves generated by Bank of Spain Circular 4/2004	57,518	48,924
Other reserves	26,353	25,007
Voluntary Reserve Fund	41,686	24,063
Retained earnings incorporated from Caja Rural del Duero	6,007	-
Total	**953,234**	**804,374**

Movement during 2007 and 2006 in reserves as a whole is as follows:

	Thousands of Euros	
	2007	2006
Opening balance	**804,374**	**737,978**
Increase in reserves (distribution of prior year's profit)	92,176	66,396
Incorporation of Caja Rural del Duero	50,677	-
Retained earnings incorporated from Caja Rural del Duero	6,007	-
Closing balance	**953,234**	**804,374**

Mandatory Reserve Fund

The objective of this Fund is to consolidate and guarantee the Entity. In accordance with Credit Cooperative Law 13/1989, modified by Law 27/99 of 16 July, this provision is made by allocating at least 20% of the net surplus.

The Entity's Articles of Association establish that 80% of the income for each year will be destined to the Mandatory Reserve Fund.

Revaluation reserves Royal Decree-Law 7/1996 of 7 July

The balance of this caption, which has not varied during 2007 and 2006, corresponds exclusively to the "Revaluation Reserve Royal Decree-Law 7/1996" derived from the restatement of part of the tangible assets carried out in 1996 by the entity taken over, Caja Rural de Málaga, Sociedad Cooperativa de Crédito (Note 1.1.).

As of the date on which the Tax Authorities verify and accept the balance in "Revaluation Reserve Royal Decree-Law 7/1996", or the 3-year period open for its verification has elapsed, the said balance may be used, without accruing tax, to offset prior years', current and future losses. As of 1 January 2007, this reserve can be used for general reserves, provided that the monetary gain has been realised. The gain shall be taken as realised in the portion corresponding to the redemption booked or when the restated equity items have been transferred or written off. If the balance in this account is used in any way other than in accordance with the requirements set forth in Royal Decree-Law 7/1996, it would be subject to tax.

The members of the Entity's Governing Board are of the opinion that, once the established period has elapsed, the entire balance of this reserve will be taken to voluntary reserves.
This reserve can be used, tax free, to increase share capital.

Revaluation reserves made due to Bank of Spain Circular 4/2004

The balance of this account corresponds to the reserve allocated due to the revaluation of tangible assets carried out under the First Temporary Provision, section B, of Circular 4/2004, according to which, on 1 January 2004 any item booked under tangible assets could be measured at its fair value subject to certain conditions. This valuation of tangible assets was charged to this revaluation reserve, net of tax.

Capital adequacy

The legislation in force (Note 1.4.) establishes that credit entities should have a capital adequacy exceeding that obtained by applying the instructions set forth in the said legislation. Compliance with the capital adequacy rate is at a consolidated level. At 31 December 2007 and 2006, the Entity's capital, taking into account the distribution of profits (Note 5), amounted to Euros 2,149,067 thousand and Euros 1,897,627 thousand, respectively. This represents a capital surplus, over the minimums required by Bank of Spain Circular 5/1993 and subsequent modifications, of Euros 624,769 thousand and Euros 684,279 thousand, respectively, which means a cover of 140.99% and 156.40% of the said capital adequacy at 31 December for each year and therefore, a solvency ratio of 11.28% and 12.51%, respectively.

Moreover, in accordance with the information obligations applicable to Mixed Groups as per section 8 of Bank of Spain Circular 5/1993, the Entity has presented the additional capital adequacy information for the Mixed Group, formed by the Entity and its subsidiary Cajamar Vida, S.A. de Seguros y Reaseguros, leading to an increase in the surplus equity in excess of the minimum requirement stated in the said regulation by Euros 4,685 thousand and Euros 6,298 thousand at 31 December 2007 and 2006, respectively.

19. Education and Development Fund

The basic lines of application of Cajamar's Education and Development Fund, in accordance with the Articles of Association, are as follows:

> Training and education of members and employees with regard to cooperative principles and values and the promotion of the cooperative movement socially and rurally, and other cooperative actions of a sociocultural nature.

> Promotion of activities to communicate the cooperative movement, inter-cooperation and cooperative integration.

> Cultural, professional and welfare promotion in the local community or in the community in general, aimed at improving the quality of life and social welfare.

> Participation in strategies and programmes that respond to the needs of social development, environmental protection and economic development in the areas in which the Entity operates.

The main activities financed by the Education and Development Fund during 2007 and 2006 are the following:

> Through the Cajamar Foundation's Experimental Station, investigative activities related to greenhouse crop optimisation techniques, fruit farming, efficient use of water and energy, climate management and improvement to structures and covering materials, natural pollination and biological control techniques in plantations. The Experimental Station has also rendered technical agricultural assessment services to farmers and cooperatives so requesting, encouraging the exchange of results from investigation and experimentation. In 2007 the Foundation has started up projects to improve environmental efficiency and to promote renewable energies.

> Through the Cajamar Foundation's Institute of Studies, the research projects and sectorial studies, reports and monograph publications, technical courses and seminars and held, as well as sociocultural events, to promote awareness in the production area and social development in the different regions that fall under the Entity's main field of operations.

> Support has been given to more than 300 projects relating to actions in favour of the cooperative movement, local development and the rural habitat and support for social, care and cultural development in the geographical area in which the entity performs its activity. Financial support for these projects, promoted by civil society, has led to direct aids for non-profit institutions and associations.

> In 2007 intense work has been carried out through the Education and Development Fund and corporate volunteering has been promoted, leading to a greater commitment on the part of the entity and the persons forming it with the local communities. This support has also become a commitment with certain international cooperation and humanitarian aid projects.

> Moreover, the support given to the University of Almería has been intensified with the signing of a new collaboration agreement, as well as the Acremar workers' association for programs and initiatives aimed at economic, social and cultural.

The management of the Education and Development Fund is the responsibility of the Entity's Governing Board or the persons appointed by them in specific actions. Its members draw up a budget proposal on the basis of the purposes set forth in the general lines of application of the fund, which is submitted for the approval of the Members' Assembly at the general annual meeting. Subsequently, at the Governing Board's monthly meeting or, failing this, the weekly meeting of the Executive Committee of the Governing Board, each of the proposals or presented to be subsidised with Education and Development Fund resources is evaluated and accepted or rejected accordingly.

The itemised breakdown of the balances related to the Entity's Education and Development Fund, at 31 December 2007 and 2006, is the following:

	Thousands of Euros	
	2007	2006
Application of Education and Development Fund:		
Tangible assets:	3,558	2,153
Cost	6,486	4,828
Accumulated depreciation	(2,928)	(2,675)
Asset impairment adjustments	-	-
Other debtor balances	-	-
Total	**3,558**	**2,153**
Education and Development Fund		
Appropriation	7,306	6,253
Applied to tangible assets (Note 10)	3,558	2,153
Applied to other investments	-	-
Expense commitments undertaken during the year	11,482	12,933
Maintenance expenses for the year underway	(10,429)	(9,253)
Amount not committed to	-	-
Surplus	2,695	420
Revaluation reserves	-	-
Other liabilities	-	-
Total	**7,306**	**6,253**

The Education and Development Fund's expenses and investments budget for 2007 amounts to Euros 11,482 thousand (Euros 12,933 thousand in 2006).

Details of movement in tangible assets related to the Education and Development Fund are set forth in Note 10.

Movement in the Fund during 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Opening balance	**6,253**	**2,573**
Distribution of surplus for the year (Note 5)	10,241	12,933
Incorporation Caja Rural del Duero	1,241	-
Maintenance expenses for the year	(10,429)	(9,253)
Other	-	-
Closing balance	**7,306**	**6,253**

20. Commissions

The captions “Fee and commission income” and “Fee and commission expense” in the accompanying income statements include the amount of all commissions paid to or to be paid by the Entity and accrued throughout the year, except those that form part of the effective interest rate of financial instruments. The criteria followed for their booking as income is described in Note 3.17.

Details of products generating fee and commission income or expenses during 2007 and 2006 are as follows:

	Thousands of Euros	
	2007	2006
Fee and commission income		
For contingent exposures	9,176	8,955
For contingent commitments	3,486	2,737
For foreign exchange and foreign bank notes	867	1,022
For collection and payment services	51,287	47,702
For securities services	1,602	1,363
For commercialisation of non-banking financial products	20,960	16,493
Other commissions	11,626	10,777
Total	**99,004**	**89,049**
Fee and commission expense		
Brokerage of asset and liability transactions	-	-
Commissions ceded to other entities and agents	(10,137)	(9,392)
Commissions paid for securities transactions	(2)	-
Other commissions	-	-
Total	**(10,139)**	**(9,392)**

21. Income tax

Details of the Tax Assets and Liabilities captions at 31 December 2007 and 2006, respectively, are as follows:

	Thousands of Euros			
	2007		2006	
	Assets	Liabilities and Equity	Assets	Liabilities and Equity
Current	326	13,222	190	5,331
Deferred	113,624	55,634	83,632	52,093
Total	**113,950**	**68,856**	**83,822**	**57,424**

The balance of the “Tax Assets” caption includes the amounts to be recovered for taxes in the following twelve months (“Tax Assets-Current”) and the amount of taxes to be recovered in future years, including those derived from tax loss carryforwards or from tax credits or rebates pending offsetting (“Tax Assets-Deferred”). The balance of the “Tax Liabilities” caption comprises all tax liabilities, distinguishing between current and deferred, excluding provisions for taxes which, where relevant, are taken to “Provisions” in the accompanying balance sheets.

The source of deferred tax assets and liabilities caused by timing differences recorded in 2007 and 2006 are as follows:

	Thousands of Euros	
	2007	2006
Deferred tax assets		
Goodwill on asset acquisition	3,388	3,608
Impairment losses on available-for-sale financial assets	7,838	4,218
Pension Funds and other insurance	15,976	10,265
Unaccrued Commissions (C. 4/2004)	15,949	20,572
Early retirement and dismissal fund	12,550	4,557
Loan impairment losses	307,869	220,784
Funds and provisions made	69,508	63,328
Business combination	4,136	-
Other	560	299
Total	**437,774**	**327,631**
Deferred tax liabilities		
Revaluation of tangible assets	98,904	84,090
Revaluation of available-for-sale financial assets	33,001	32,097
Revaluation reserves RDL 7/96	1,274	1,274
Special depreciation RDL 3/93	799	790
Special accelerated depreciation and others	5,834	6,563
Total	**139,812**	**124,814**

No tax assets exist on account of positive timing differences, tax loss carryforwards or credits and deductions which remain unrecorded at 31 December 2007 and 2006.

The reconciliation of accounting income with taxable income for 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Income for the year, before income tax	**131,630**	**115,483**
Increases due to permanent differences:	10,837	9,928
Decreases due to permanent differences:	(77,506)	(67,883)
Adjusted income	**64,961**	**57,528**
Increases for timing differences taken to Profit and Loss:	89,685	57,590
Decreases for timing differences taken to Profit and Loss:	(6,074)	(11,113)
Taxable income	**148,572**	**104,005**

	Thousands of Euros			
	2007		2006	
	Accrued tax	Tax liability	Accrued tax	Tax liability
Tax:				
On adjusted income	16,223	-	14,884	-
On taxable income	-	38,711	-	26,878
Credits	(3,555)	(3,555)	(4,284)	(4,284)
Other items	-	-	-	-
Expense / Tax rate	**12,668**	**35,156**	**10,600**	**22,594**
Prior years' income tax adjustment	(620)	-	-	-
Deferred tax adjustment Law 35/2006	(1,018)	-	(2,644)	-
Withholdings	-	(536)	-	(691)
Payment by instalments	-	(21,627)	-	(16,572)
Expense / Tax payable	**11,030**	**12,993**	**7,956**	**5,331**

The balance of the caption "Tax liabilities" includes a current tax liability on account of Income Tax from Caja Rural del Duero, Sociedad Cooperativa de Crédito, for Euros 229 thousand.

The Entity has applied the income tax deductions and credits applicable by prevailing income tax law, including a deduction for reinvestment of extraordinary profits, with a taxable base at 31 December 2007 and 2006 of Euros 9,063 thousand and Euros 7,275 thousand, respectively, which have been fully reinvested each year.

Regardless of the income tax payable as per the income statements for 2007 and 2006, the Entity has included the following amounts in its equity (deferred taxes) under the items described below:

	Thousands of Euros	
	2007	2006
Revaluation of tangible assets	27,575	25,249
Variable Income Securities at Fair Value	9,880	9,361
Fixed Income Securities at Fair Value	7	222
Total	**37,462**	**34,832**

Law 35/2006 governing Personal Income Tax and the partial modification of Income taxes, taxes on non-Residents and Property taxes has modified the general rate applicable to non-cooperative profits, which has been reduced from 32.5% in 2007 to 30% from 2008 onwards. By application of Standard 42 of Circular 4/2004, deferred tax assets and liabilities are calculated by applying the tax rate at which taxes are expected to be recovered or settled to the timing difference, or corresponding credit.

As mentioned in Note 1.1, during 2007 the merger by absorption with Caja Rural del Duero, Sociedad Cooperativa de Crédito took place. This merger has been performed under the Special regime for mergers, demergers, asset contributions and securities transfers governed by Chapter VIII of Heading VII of Royal Legislative Decree 4/2004 which approves the Revised Text of the Spanish Company Income Tax Law.

The latest closed balance sheet of Caja Rural del Duero, Sociedad Cooperativa de Crédito is included in Note 3.24 of these Annual Accounts.

In the business combination process, the assets, liabilities and contingent liabilities of Caja Rural del Duero, Sociedad Cooperativa de Crédito have been incorporated into the financial statements of Cajamar at fair value (Note 3.24). The Entity keeps individual records with the details of the years in which Caja Rural del Duero, Sociedad Cooperativa de Crédito acquired the amortisable transferred assets, and of the assets included in the books at a value different to the amount stated in Caja Rural del Duero, Sociedad Cooperativa de Crédito, indicating the historical cost, amortisation and depreciation and provision set up. Details of the assets incorporated by type of asset and year of acquisition are contained in the accompanying Annex III.

There are no tax benefits enjoyed by Caja Rural del Duero, Sociedad Cooperativa de Crédito with respect to which Cajamar should accept compliance of specific requirements in accordance with the specifications of sections 1 and 2 of article 90 of Royal Legislative Decree 4/2004 which approves the Revised Text of the Spanish Company Income Tax Law.

The Entity has open to inspection all years applicable in accordance with prevailing legislation. Due to the differing interpretations that can be made of tax legislation applicable to the operations carried out by the Entity, certain contingent tax liabilities could exist, which cannot be objectively quantified at present. However, the Entity's Administrators and its tax advisors consider that the possibility that said contingent exposures shall materialise in future inspections is remote and, in any event, the tax debt that they could lead to would not have a significant affect the accompanying annual accounts.

22. Related parties

For risk operations with related parties the Entity has developed procedures for granting, authorising and monitoring this type of operation using clear criteria set forth in its Manual of Policies and Procedures for Credit Risk Management and Control (Note 6.1.a.).

At 31 December 2007 and 2006, balances generated as a result of transactions with associated parties are as follows:

	Thousands of Euros									
	Jointly controlled companies		Subsidiaries		Associate companies		Board Members and Management			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
							Direct		Indirect	
ASSETS										
Loans	-	-	99,393	126,327	68,000	120,180	4,893	5,030	56,822	71,740
Credit risk hedges (-)	-	-	(2,485)	(3,158)	(1,700)	(3,005)	(47)	(126)	(1,457)	(1,794)
Investments	300	300	50,026	43,770	57,103	57,909	-	-	-	-
Investment provisions (-)	(260)	(260)	(21,647)	(17,140)	(8,299)	(2,486)	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
LIABILITIES AND EQUITY										
Term deposits	-	-	-	-	1,104	7,531	1,582	2,087	2,106	1,879
Other demand deposits	4	4	10,102	11,113	8,586	13,313	1,502	2,595	11,505	16,595
MEMORANDUM ACCOUNTS										
Financial guarantees	500	-	8,568	15,095	12,400	12,298	32	28	12,364	6,195
Available	-	-	58,662	90,691	5,625	6,518	265	441	15,485	52,756
INCOME STATEMENT										
Income:										
Interest and similar income	-	-	178	34	231	331	118	127	1,024	2,485
Income from variable income portfolio	-	-	-	-	-	-	-	-	-	-
Fee and commission income	-	-	22	48	65	291	-	1	97	118
Other products	-	-	7,052	8,437	3,721	23,556	-	-	-	-
Expenses:										
Interest expense and similar charges	-	-	9	21	166	221	84	143	309	164
Fee and commission expense	-	-	-	-	-	-	-	-	-	-
Other expenses	-	-	19,228	20,051	653	823	-	-	-	-

Details of credit risks and off-balance sheet exposure assumed at 31 December 2007 and 2006 with parties related to the Entity are as follows:

Outstanding balances

	Thousands of Euros	
	Related parties	
	2007	2006
Loans:		
Amount	342,509	507,299
Interest rate	2.30% to 12.44%	2.50% to 8.75%
Guarantee	Personal and mortgage	Personal and mortgage
Residual term to maturity	1 to 42 years	1 to 43 years
Deposits:		
Amount	36,487	55,113
Interest rate	0.10% - 5.60%	3.20% - 4.10%
Residual term to maturity	1 to 2 years	1 to 7 years

Remuneration accrued by the Entity's Governing Board members and the members of the Management Committee in 2007 and 2006 is as follows:

	Thousands of Euros									
	"Fixed remuneration"		"Variable remuneration"		Social Security expenses		"Compensation for termination of employment"		"Post-employment benefits"	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Governing Board	397,65	331,72	12,82	7,33	-	-	-	-	-	-
Mr. ANTONIO PÉREZ LAO	36,42	27,72	-	-	-	-	-	-	-	-
Mr. JUAN DE LA CRUZ CÁRDENAS RODRÍGUEZ	36,42	23,82	-	-	-	-	-	-	-	-
Mr. FRANCISCO COLOMER DE LA OLIVA	36,42	26,73	-	-	-	-	-	-	-	-
Mr. LUIS DE LA MAZA GARRIDO	35,29	26,91	-	-	-	-	-	-	-	-
Mr. JOSÉ SEBASTIÁN MILLARUELO APARICIO (1)	13,90	-	-	-	-	-	-	-	-	-
Mr. ÁNGEL LIROLA SUÁREZ	36,98	44,49	3,41	-	-	-	-	-	-	-
Mr. FRANCISCO LORENTE BROX	36,98	25,62	4,37	3,19	-	-	-	-	-	-
Mr. RAMÓN ALIAGA CARRIÓN	15,37	10,66	0,59	0,49	-	-	-	-	-	-
Mr. ANTONIO LUQUE LUQUE	40,80	27,63	3,15	2,23	-	-	-	-	-	-
Mr. FRANCISCO BELMONTE LÓPEZ	14,23	8,86	-	-	-	-	-	-	-	-
Mr. JOSÉ MANUEL MORENO FERREIRO	20,88	14,79	-	-	-	-	-	-	-	-
Mr. FRANCISCO GÓNGORA CAÑIZARES	15,37	9,97	-	0,03	-	-	-	-	-	-
Mr. JOSÉ ANTONIO SANTORROMÁN LACAMBRA	16,49	11,08	-	-	-	-	-	-	-	-
Mr. AGUSTÍN MIGUEL SÁNCHEZ MARTÍNEZ	14,23	8,86	1,12	0,42	-	-	-	-	-	-
Mr. RODRIGO MUÑOZ RODRÍGUEZ	12,52	6,65	-	-	-	-	-	-	-	-
Mr. MIGUEL ZAPATA MIRANDA (2)	15,35	11,08	0,17	0,14	-	-	-	-	-	-
Mr. JUAN DEL ÁGUILA MOLINA (3)	-	24,65	-	-	-	-	-	-	-	-
Mr. MANUEL ESCÁNEZ GARCÍA (3)	-	4,21	-	0,05	-	-	-	-	-	-
Mr. FRANCISCO FERNÁNDEZ RODRÍGUEZ (3)	-	2,06	-	0,06	-	-	-	-	-	-
Mr. JULIO VARGAS MEJÍAS (3)	-	3,91	-	0,01	-	-	-	-	-	-
Mr. ANDRÉS GÓMEZ VARGAS (3)	-	3,61	-	0,11	-	-	-	-	-	-
Mr. GONZALO ROJAS TOLEDO (3)	-	1,50	-	0,11	-	-	-	-	-	-
Mr. SALVADOR SÁNCHEZ POU (3)	-	5,41	-	0,46	-	-	-	-	-	-
Mr. MIGUEL DOMINGO GÓMEZ (3)	-	1,50	-	0,03	-	-	-	-	-	-
Directors	2,864,06	2,442,90	141,10	214,20	153,42	135,49	-	1,350,00	117,69	144,13
Of which: members of the Governing Board	974,76	945,64	24,46	39,66	30,72	31,56	-	-	44,28	64,29
Total	3,261,71	2,774,62	153,92	221,53	153,42	135,49	-	1,350,00	117,69	144,13

(1) Member of the Governing Board after the Merger with Caja Rural del Duero.
(2) Member of the Governing Board up to the Merger with Caja Rural del Duero.
(3) Members of the Governing Board up to the Members' Assembly held on 28 March 2006

The line "Directors" in the table above for 2007 includes remuneration to four board members for their work as directors, six CEOs, three deputy CEOs and three directors. In 2006 the "Directors" line includes remuneration paid to four board members for their work as directors and to ten members of the Management Committee which comprises five CEOs, three division heads and two directors.

The Entity's Vice President-CEO and the Co-president-CEO are the only members of the Governing Board who hold positions in other credit entities, both being members of Banco Cooperativo Español, S.A. These directors of Cajamar do not hold any shares in the said entity.

23. Other information

Investment services

Details of investment and complementary services by type of instrument, indicating the amount of securities and other managed financial instruments and the commissions recorded in the income statement, are as follows:

2007	Thousands of Euros	
	Recursos de clientes	Comisiones
Type of investment service (products managed by the Entity)		
Portfolio management	-	-
Securities	-	-
Investment funds	292,329	1,021
Pension funds	548,711	12,455
Security Investment Companies	47,388	106
Total	**888,428**	**13,582**
Brokerage service (products sold by the Entity)		
Securities	133,503	862
Investment funds	633,100	4,514
Pension funds	190,009	1,921
Security Investment Companies	18,282	81
Total	**974,894**	**7,378**
Deposited securities owned by third parties		
Subordinated liabilities	60,000	-
Equity and debt certificates including bonds	756,734	290
Total	**816,734**	**290**

2006	Thousands of Euros	
	Recursos de clientes	Comisiones
Type of investment service (products managed by the Entity)		
Portfolio management	-	-
Securities	-	-
Investment funds	348,126	1,206
Pension funds	-	-
Security Investment Companies	-	-
Total	**348,126**	**1,206**
Brokerage service (products sold by the Entity)		
Securities	192,344	1,388
Investment funds	657,949	3,915
Pension funds	277,322	2,701
Security Investment Companies	65,528	273
Total	**1,193,143**	**8,277**
Deposited securities owned by third parties		
Subordinated liabilities	360,000	-
Equity and debt certificates including bonds	465,024	403
Total	**825,024**	**403**

Credit commitments

This heading includes irrevocable financing commitments according to certain conditions and terms previously stipulated. All the Entity's credit commitments are available on demand.

The breakdown of credit commitments for 2007 and 2006 grouped by counterparty and indicating the limit and amount pending liquidity is as follows:

	Thousands of Euros			
	2007		2006	
	Limit	Available	Limit	Available
Drawable by third parties				
Banks	-	-	-	-
Public Authorities Sector	41,117	17,991	13,449	8,683
Other resident sectors	21,819,190	3,507,926	17,260,744	2,837,359
Non-residents	211,806	3,402	2,044	910
Total	**22,072,113**	**3,529,319**	**17,276,237**	**2,846,952**

The average interest rate offered for these commitments is 5.16% in 2007 (4.76% in 2006).

Breakdown of items in the income statement

> Interest and similar income, interest expense and similar charges, net profit/loss on financial operations and net impairment losses.

Details of these captions in the accompanying income statements are as follows:

	Thousands of Euros	
	2007	2006
Interest and similar income		
Balances with central banks	9,045	5,514
Loans and advances to credit institutions	17,626	24,437
Money market operations through counterparties	-	-
Loans and advances to other debtors	996,757	662,120
Debt certificates including bonds (Note 6.4.a)	2,513	6,369
Doubtful assets	4,138	936
Income adjustments for hedging operations	-	-
Income from insurance contracts linked to pensions and similar obligations	-	-
Other interest:		
Income form Pension Plan assets (Note 15)	1,744	2,010
Other	3,927	1,582
Total	**1,035,750**	**702,968**
Interest expense and similar charges		
Deposits from central banks	4,923	-
Deposits from credit institutions	37,088	14,740
Money market operations through counterparties	-	-
Deposits from other creditors	458,724	294,115
Debt certificates including bonds	63,490	27,590
Subordinated liabilities (Note 6.7.e)	16,412	11,657
Expense adjustments for hedging operations	10,217	(10,722)
Pension fund interest costs (Note 15)	1,570	1,687
Capital having the nature of a financial liability (Notes 5 and 17)	4,015	1,997
Other interest	115	170
Total	**596,554**	**341,234**
Gains or losses on financial assets and liabilities (net)		
Financial assets held for trading	(1,067)	(901)
Other financial instruments at fair value through profit or loss	-	-
Available-for-sale financial assets	3,435	4,519
Loans and receivables	-	-
Other:		
Securitisation commissions for assets written off (Note 6.5.b.4.)	1,369	5,179
Other	1,783	834
Total	**5,520**	**9,631**

> Return on equity instruments

Details of this caption in the income statements for 2007 and 2006 are as follows:

Return on equity instruments	Thousands of Euros	
	2007	2006
Interests in associates (Note 9)	196	351
Interests in jointly controlled entities (Note 9)	-	-
Interests in group companies (Note 9)	-	4,000
Other equity instruments (Note 6.4.b.)	5,204	2,194
Total	**5,400**	**6,545**

> Other operating income

Details of this caption in the income statements for 2007 and 2006 are as follows:

Other operating income	Thousands of Euros	
	2007	2006
Income from investment properties (Note 10)	675	657
Income from other tangible assets leased out under an operating lease	371	589
Other Products:		
Financial commissions to offset direct costs	13,137	12,785
Expenses included in assets	-	-
Other items	15,485	13,445
Total	**29,668**	**27,476**

> Personnel expenses

Details of this caption in the accompanying income statements are as follows:

Personnel expenses	Thousands of Euros	
	2007	2006
Current personnel salaries and bonuses	132,953	120,511
Social Security Expenses	32,680	29,310
Contributions to defined benefit pension plans (Note 15)	1,217	1,290
Contributions to defined contribution pension plans (Note 15)	2,681	2,465
Compensation for termination of employment	377	465
Training expenses	1,694	1,263
Other personnel expenses	-	-
Otros gastos de personal	3,347	1,872
Total	**174,949**	**157,176**

The average number of employees in the Entity, by professional category, is the following:

	2007	2006
Directors	9	7
Administrators and qualified managers	1,357	999
Administrative workers	1,336	1,607
Administrative assistants	1,056	920
Various	12	14
Total	**3,770**	**3,547**

As a result of the integration of Caja Rural del Duero, Sociedad Cooperativa de Crédito, a total of 284 new employees have joined.

Remunerations in kind granted to the Entity's employees during 2007 and 2006 amounted to Euros 2,624 thousand and Euros 1,387 thousand, respectively, as stipulated in the collective labour agreement and corresponding to loans granted at a below market interest rate.

> Other administrative expenses

Details of this caption in the accompanying income statements are as follows:

Other administrative expenses	Thousands of Euros	
	2007	2006
Property, fixtures and furniture	27,629	24,755
IT	9,399	8,687
Communications	8,872	7,894
Advertising and publicity	5,580	4,490
Legal and lawyer expenses	9	7
Technical reports	3,354	2,483
Surveillance and fund transfer services	4,779	4,188
Insurance premiums and self-insurance	1,445	1,792
Governing and controlling bodies	675	816
Personnel representation and travelling expenses	3,412	3,093
Membership fees	60	81
Head office expenses charged to foreign branches	-	-
Outsourced administrative services	8,911	8,750
Contributions and taxes:		
For property	315	323
Other	361	310
Other expenses	7,886	6,077
	82,687	73,746

> Other operating expenses

Details of this caption in the accompanying income statements are as follows:

Other operating expenses	Thousands of Euros	
	2007	2006
Exploration expenses for investment properties	73	94
Contribution to deposit guarantee funds (Note 3.18)	8,277	7,156
Other items	-	1,732
	8,350	8,982

> Impairment losses (net)

Details of this caption in the accompanying income statements are as follows:

Impairment assets (net)	Thousands of Euros	
	2007	2006
Available-for-sale financial assets (Note 6.4.c)	(443)	(338)
Loans and receivables (Note 6.5.d)	(109,382)	(65,152)
Non-current assets held for sale (tangible assets) (Note 13)	285	(285)
Investments (Note 9)	(6,202)	(4,395)
Tangible assets (Note 10)	-	2,987
	(115,742)	(67,183)

> Provisioning expenses (net)

Details of this caption in the accompanying income statements are as follows:

Provisioning expenses (net)	Thousands of Euros 2007	Thousands of Euros 2006
Provisions for pensions and similar obligations (Note 15)	15,321	2,030
Provisions for risks and contingent exposures (Note 15)	(1,424)	66
Other provisions (Note 15)	14,347	25,788
Total	28,244	27,884

> Other gains and other losses

Details of these captions in the accompanying income statements are as follows:

Other gains	Thousands of Euros 2007	Thousands of Euros 2006
Gains on sale of tangible assets	7,429	10,739
Gains on sale of investments	10,309	-
Income for atypical services delivered	101	81
Compensation from insurance companies	51	140
Income on sale of held-to-maturity investments	-	-
Other	489	611
Total	18,379	11,571
Other losses		
Losses on sale of tangible assets	(131)	(579)
Losses on sale of investments	(36)	(212)
On pension payments	(34)	(123)
Extraordinary contributions to defined contribution plans	-	-
Losses on sales of held-to-maturity investments	-	-
Other	(2,596)	(1,498)
Total	(2,797)	(2,412)

External Audit

The fees paid by the Entity for the audit of the accounts and other services rendered by the auditing firm or others related to the Entity, in 2007 and 2006, are as follows:

2007	Thousands of Euros Annual account audit	Thousands of Euros Other services	Thousands of Euros Total
Entity			
PricewaterhouseCoopers	166	656	822

2006	Thousands of Euros Annual account audit	Thousands of Euros Other services	Thousands of Euros Total
Entity			
PricewaterhouseCoopers	133	88	221

Abandoned funds and deposits

In accordance with article 18 of Law 33/2003 of 3 November, regarding the equity of public entities, the Entity's funds and deposits which, according to the requirements of the said article, are abandoned and amount to approximately Euros 10 thousand in 2007 (Euros 19 thousand in 2006).

Customer services

In accordance with Law 44/2002 of 22 November regarding Financial System Reform Measures, the Financial Services Ombudsman Regulations approved by Royal Decree 303/2004 on 20 February, Order ECO/734/2004 of 11 March, regarding departments and customer services in financial entities and other applicable legislation, on 20 July 2004 the Governing Board approved the creation of its Customer Services Department, in-house, specialised and independent of other commercial and operating areas, aimed at dealing with and resolving the complaints and claims that the Entity's customers present in relation to their legally recognised interests and rights, either by contract, transparency law and customer protection or financial best practices and uses, particularly, the equity principle. Likewise, the Governing Board appointed its Representative and approved its operational Regulations, which have been modified in 2007 to adapt them to the discontinuation of the Entity's membership of the National Union of Credit Cooperative's Customer Defence Service.

In accordance with the aforementioned information and by virtue of article 17.2 of the aforementioned Ministerial Order, Cajamar's Customer Services department prepares a summary of the explanatory annual report on the development of its operations.

The number of cases opened by the Customer Service Department for complaints and claims filed during 2007 was 480, 85 of which were not admitted for processing. The reasons for their non-acceptance was due to the provisions in articles 14 and 18 of the application Regulations and, mainly, to the omission of information essential to processing and due to being matters submitted to or already resolved by legal ruling.

Thirty-two cases were presented to the Bank of Spain and 5 to the Spanish National Securities Market Commission. One has been filed with the National Union of Credit Cooperative's Customer Defence Service, of which the Entity was a voluntary member until February 2007.

The typology of the claims presented is as follows:

	2007		2006	
	Number of Claims	%	Number of Claims	%
Asset operations	113	23.54%	94	25.61%
Payment methods and other banking products	94	19.58%	53	14.44%
Liability operations	93	19.38%	34	9.27%
Collection and payment services	75	15.63%	79	21.53%
Securities, Insurance and Pension funds	39	8.12%	39	10.62%
Other	66	13.75%	68	18.53%
	480	100.00%	367	100.00%

The overall outcome of complaints and claims presented at 31 December 2007 and 2006 can be classified as follows:

	%	
	2007	2006
In favour of the claimant	25.42%	25.89%
In favour of the Entity	41.67%	42.78%
Waivers 0.62%	2.45%	
Undecided / unresolved	6.25%	5.18%
Unaccepted	17.71%	15.53%
In process	8.33%	8.17%
	100.00%	100.00%

In absolute terms, considering the number of complaints and claims processed, a total of 395, 30.89% of the cases have been ruled in favour of the claimant and 50.63% in favour of the Entity.

All issues processed have been resolved within the legal period, with 40 pending closure at year end, 9 of which are being dealt with by the Bank of Spain's Claims Service as the procedures have already commenced, and the rest are the responsibility of the Service.

The decision criteria used by the Customer Service Department for the resolution of complaints and claims have been taken, essentially, from the criteria issued by the Department and from the rulings issued on claims filed with financial supervision service organisations, based on banking best practices and uses reports, on the legislation governing the transparency of banking operations and customer protection and any other that has been applied, aimed at obtaining a justifiable and reasoned decision.

Cajamar's Customer Service is attached to Cajamar Gestión, S.G.I.I.C.'s Customer Service, whose function it fully assumes, applying its operating Regulations and Law 35/2003 of 4 November regarding Collective Investment Institutions, together with the aforementioned legislation. During 2007, no claims or complains have been presented to Cajamar Gestión, S.G.I.I.C., S.A.

The Customer Services Department of Caja Rural del Duero, Sociedad Cooperativa de Crédito informed the Governing Board that the total number of complaints and claims received during 2007 came to 15, 2 of which were rejected for not complying with the requirements and 13 were accepted for processing by the service. Of the total number of complaints and claims admitted, 11 were resolved in favour of the Entity (84.61%) and 1 was resolved in favour of the claimant (7.7%), with 1 remaining pending resolution (7.7%).

Information by business segment

> Segmentation by business line

The main business of the Entity is Retail Banking, with no other significant business lines existing which the Entity, in accordance with legislation, should segment and manage in different business lines.

> Geographical segmentation

The Entity carries out almost all its activity within Spain with a similar typology of customer throughout the country. Therefore, the Entity only takes into account a single geographic segment for all its activity.

24. Subsequent events

Irrespective of the information given in this annual report, subsequent to 31 December 2007 and up to 28 January 2008, the date on which the Entity's Governing Board prepared these annual accounts, no relevant event has occurred which requires inclusion in the accompanying annual accounts in order to adequately present a fair view of the Entity's equity, financial position, results of operations, changes in equity and the Entity's cash flows

Appendix I: Details of capital investments at 31/12/2007

Company	Address	Activity	% direct shareholding	Net carrying value	Capital	Reserves	Results
				Thousands of Euros			
Group entities or subsidiaries							
Albaida Recursos Naturales y Medio Ambiente, S.A. (a)	Avda. del Mediterrráneo, 178-2º. Almería	Building of irrigation systems	77.93%	1,092	1,175	-	(3,063)
Albaida Residuos, S.L.	Avda. del Mediterrráneo, 178-2º. Almería	Waste recycling	77.93%	2,052	4,285	-	(2,698)
Cajamar Gestión S.G.I.I.C., S.A. (a)	C/ Goya, 15-2º. Madrid	Fund management company	100.00%	3,000	3,000	(310)	310
Cajamar Intermediadora Operadora de Banca Seguros Vinculado, S.L. (e)	Plaza de Barcelona, 5. Almería	Insurance-related activities	100.00%	60	60	82	35
Cajamar Renting, S.L.	Plaza de Barcelona, 5. Almería	Rental of all types of assets	100.00%	60	60	(1)	-
Eurovía Informática, A.I.E. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	Technology services	99.00%	3	3	-	-
Grupo Hispatec Informática Empresarial, S.A. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	IT sales and services	100.00%	4,883	5,059	415	(678)
Grupo Hispatec Soluciones Globales, S.L. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	Management-related services	100.00%	2,223	2,084	(18)	(843)
Hiposervi, S.L. (a)	Plaza Antonio Gonzalez Egea, 2. Almería	Financial-related services	100.00%	3	3	197	6
Sunaria Capital, S.L.	Avd. Montserrat Edif. Brisas portal 7. Almería	Holding company	100.00%	15,000	15,000	742	(2,600)
Tarket Gestión, A.I.E. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	General services	98.00%	3	3	-	-
				28,379	30,732	1,107	(9,531)
Jointly controlled companies							
Safei Rural Málaga, S.A.	Plaza de la Marina, 1. Málaga	Financial brokerage	50.00%	40	600	(519)	-
				40	600	(519)	-
Associates							
Agrocolor, S.L.	C/ Maestro Serrano, 13- 1º. Almería	Quality certification	32.37%	18	11	797	(113)
Almagra Pro-2000, S.L.	Avd. Virgen del Rocío, Resd. Guadalcántara, Local 2. Málaga	Promotions and building	23.50%	7	30	63	7
Cajamar Vida, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería	Insurance	50.00%	4,508	9,015	12,473	9,872
Ecovida, S.L.	C/ Mengomor, 20. Almería	Ecological farming	50.00%	6	12	-	-
Grupo Inmobiliario Aguamar, S.L. (a)	Avda. Mariano Hernández, 50. Roquetas de Mar. Almería	Promotions and building	24.99%	32,319	26,197	49,776	(1,089)
Iniciativas Económicas de Almería S.C.R., S.A. (c)	C/ Magistral Dominguez, 11-3º. Almería	Venture capital investment	24.97%	1,382	6,046	(135)	(138)
Murcia Emprende S.C.R., S.A.	Avda. de la Fama, 3. Murcia	Venture capital investment	25.00%	1,232	6,000	(1,027)	(46)
Parque de Innovacion y Tecnología de Almería, S.A. (b)	Avda. Federico Garcia Lorca, 57-5ºB. Almería	Management of shopping areas	30.00%	2,108	8,000	(115)	(858)
Sabinal Agroservicios, S.A.	C/ Maestro Serrano, 9. Almería	Promotions and building	50.00%	82	282	(117)	-
Savia Biotech, S.A.	C/ Magistral Dominguez, 11-3º. Almería	Agricultural cooperative services	19.23%	250	2,600	-	(27)
Tino Stone Group, S.A. (d)	Pol. Ind. Rubira Sola, s/n. Macael. Almería	Quarrying	25.00%	6,892	102	14,912	1,161
				48,804	58,295	76,627	8,769

(a) Company audited by PriceWaterhouseCoopers Auditores, S.L.
(b) Company audited by Audiconsa Auditores, S.L.
(c) Company audited by Asensio y Asociados Auditores Consultores, S.L.U.
(d) Company audited by Ernst & Young Auditores, S.L.
(e) Company formerly named Cajamar Mediación Correduría de Seguros, S.L.

Appendix I: Details of capital investments at 31/12/2006

Company	Address	Activity	% direct shareholding	Thousands of Euros: Net carrying value	Capital	Reserves	Results
Group entities or subsidiaries							
Albaida Recursos Naturales y Medio Ambiente, S.A. (a)	Avda. del Mediterrráneo, 178-2º. Almería	Waste recycling	77.93%	4,293	8,540	39	(3,070)
Cajamar Gestión S.G.I.I.C., S.A. (a)	C/ Goya, 15-2º. Madrid	Fund management company	100.00%	1,744	2,000	(514)	258
Cajamar Mediacion Correduria de Seguros, S.L.	Plaza de Barcelona, 5. Almería	Insurance-related activities	100.00%	60	60	49	14
Cajamar Renting, S.L.	Plaza de Barcelona, 5. Almería	Rental of all types of assets	100.00%	60	60	(1)	-
Eurovia Informática, A.I.E.	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	Technology services	99.00%	3	3	-	-
Hispatec Informática Empresarial, S.A. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	IT sales and services	100.00%	5,399	5,060	3,260	(2,920)
Hispatec Soluciones Globales, S.L. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	Technology services	100.00%	11	326	(3,655)	54
Hiposervi, S.L.	Plaza Antonio Gonzalez Egea, 2. Almería	Management-related services	100.00%	3	3	152	109
Intermedia Gestion de Impagados, S.A.	Camino de la Goleta, s/n. Edif. Hispatec. Almería	Financial-related services	100.00%	54	120	(54)	(12)
Sunaria Capital, S.L. (b)	Avd. Montserrat Edif. Brisas portal 7. Almería	Holding company	100.00%	15,000	15,000	(4,722)	6,478
Tarket Gestión, A.I.E.	Camino de la Goleta, s/n. Edif. Hispatec. Almería	General services	98.00%	3	3	-	-
				26,630	31,175	(5,446)	911
Jointly controlled companies							
Safei Rural Málaga, S.A.	Plaza de la Marina, 1. Málaga	Financial brokerage	50.00%	40	600	(519)	-
				40	600	(519)	-
Associates							
Agrocolor, S.L.	C/ Maestro Serrano, 13- 1º. Almería	Quality certification	32.37%	18	11	664	76
Albamar Sur,S.L.	C/ Cuarteles, 27- 6º. Málaga	Promotions and building	25.00%	1,250	5,000	-	-
Almagra Pro-2000, S.L.	Avd. Virgen del Rocío, Resd. Guadalcántara, Local 2. Málaga	Promotions and building	23.50%	7	30	149	6
Cajamar Vida, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería	Insurance	50.00%	4,508	9,015	4,471	7,983
Ecovida, S.L.	C/ Mengomor, 20. Almería	Ecological farming	50.00%	6	12	-	-
Grupo Inmobiliario Aguamar, S.L. (c)	Avda. Mariano Hernández, 50. Almería	Promotions and building	24.99%	37,794	26,197	48,410	3,149
Iniciativas económicas de Almería S.C.R., S.A. (d)	C/ Magistral Dominguez, 11-3º. Almería	Venture capital investment	24.97%	1,382	6,046	(437)	493
Murcia emprende S.C.R., S.A.	Avda. de la Fama, 3. Murcia	Venture capital investment	25.00%	580	6,000	(596)	(85)
Parque de Innovacion y Tecnología de Almería, S.A.	Avda. Federico Garcia Lorca, 57-5ºB. Almería	Management of shopping areas	30.00%	2,351	5,000	(98)	(64)
Promociones El Cañaveral 2003, S.L.	Avda. Diagona, 640- 5ºE Edif. "Caja Madrid". Barcelona	Promotions and building	22.22%	552	2,500	(19)	1
Sabinal Agroservicios, S.L.	C/ Maestro Serrano, 9. Almería	Agricultural cooperative services	50.00%	83	282	(117)	-
Tino Stone Group, S.A. (e)	Pol. Ind. Rubira Sola, s/n. Macael (Almería)	Quarrying	25.00%	6,892	102	13,057	1,714
				55,423	60,195	65,484	13,273

(a) Company audited by PriceWaterhouse Coopers Auditores, S.L.
(b) Company audited by Audiconsa Auditores, S.L.
(c) Company audited by Ernst & Young Auditores, S.L.
(d) Company audited by Asensio y Asociados Auditores Consultores, S.L.U.
(e) Company audited by Auditores Públicos, S.L.

Appendix II. Network details by geographical location

	Number of Branches	
	2007	2006
ANDALUSIA	383	372
Almería	188	189
Cádiz	14	13
Córdoba	3	-
Granada	23	16
Huelva	1	-
Jaen	1	-
Málaga	152	153
Sevilla	1	1
ARAGÓN	2	1
Zaragoza	2	1
BALEARIC ISLANDS	1	-
CASTILLA LA MANCHA	4	3
Albacete	2	2
Guadalajara	1	1
Toledo	1	
CASTILLA LEON	122	1
Avila	8	-
León	7	-
Palencia	22	-
Segovia	1	1
Valladolid	84	-
CATALONIA	79	78
Barcelona	74	74
Gerona	3	3
Lerida	1	-
Tarragona	1	1
COMMUNITY OF VALENCIA	41	37
Alicante	18	17
Castellón	2	1
Valencia	21	19
MADRID	66	62
MURCIA	213	214
CEUTA	2	2
MELILLA	2	2
Total	915	772

Appendix III. Assets acquired through business combination

	Thousands of Euros											
	Computer equipment			Furniture, Fixtures and other			Buildings			Other		
Year of acquisition	Cost	Depreciation and Provisions Established	Fair Value	Cost	Depreciation and Provisions Established	Fair Value	Cost	Depreciation and Provisions Established	Fair Value	Cost	Depreciation and Provisions Established	Fair Value
1975	-	-	-	-	-	-	10,905	528	12,012	-	-	-
1976	-	-	-	-	-	-	940	111	920	-	-	-
1977	-	-	-	-	-	-	219	35	286	12	5	366
1979	-	-	-	-	-	-	407	74	389	-	-	-
1980	-	-	-	-	-	-	494	54	612	-	-	-
1983	-	-	-	-	-	-	31	10	58	-	-	-
1984	-	-	-	-	-	-	73	23	75	-	-	-
1986	-	-	-	-	-	-	110	32	139	-	-	-
1987	-	-	-	-	-	-	33	9	24	-	-	-
1988	-	-	-	-	-	-	356	50	308	-	-	-
1989	-	-	-	-	-	-	48	12	40	6	2	61
1990	124	124	-	-	-	-	-	-	-	-	-	-
1991	26	26	-	-	-	-	409	33	449	-	-	-
1992	49	49	-	-	-	-	-	-	-	-	-	-
1993	76	76	-	-	-	-	807	156	1,181	-	-	-
1994	66	66	-	25	25	-	-	-	-	-	-	-
1995	187	187	-	27	27	-	29	5	44	-	-	-
1996	180	180	-	926	908	18	1,232	169	1,312	-	-	-
1997	107	107	-	755	704	51	656	113	520	-	-	-
1998	171	171	-	603	590	13	234	30	586	1	-	1
1999	95	95	-	2,283	2,244	39	717	86	772	-	-	-
2000	596	596	-	1,593	1,406	187	446	46	553	-	-	-
2001	773	773	-	1,140	890	250	872	82	943	343	30	357
2002	903	824	79	1,854	1,036	818	566	124	514	-	-	-
2003	199	198	1	1,329	498	831	1,010	62	1,076	-	-	-
2004	117	99	18	1,187	350	837	496	332	92	-	-	-
2005	237	120	117	923	192	731	901	32	1,171	-	-	-
2006	650	101	549	1,234	155	1,079	343	9	311	-	-	-
2007	387	31	356	1,473	48	1,425	1,993	18	1,911	-	-	-

Management Report

Macroeconomic environment

> The Spanish economy, after recording an actual year-on-year growth rate of 3.8% in the GDP in the third quarter (cushioning the year-on-year rate by two tenths), the Spanish economy seems to be showing the first signs of depletion, confirming that the cycle maximum was reached in the first quarter of the year. Quarter-on-quarter growth stands at 0.7%, two tenths less than in the second quarter of 2007. The contribution of domestic demand to aggregated growth has dropped by five tenths (to 4.4 p.p.), whilst foreign demand has improved its negative contribution by three tenths (to reach -0.6 p.p.).

> On an international scale, despite the apparent slowdown that has already commenced, economic growth accelerated in the third quarter. Private consumption in OECD countries continues to be the driving force behind economic growth.

> In December the HICP (harmonised index of consumer prices) reached an all-time high since it was introduced in January 1997, of 4.2%. Thus, after rising four tenths in December, last year's inflation has reached such a level that the underlying rate -which excludes the general price index for fresh foods and energy- increased by two tenths during the month, closing the year at 3.3%.

> Of the twelve groups comprising the national shopping basket, the items that have undergone the most significant price increases in 2007 have been transport, with a price increase of 7.1%, food and on-alcoholic drinks (6.6%), alcoholic drinks and tobacco (6.1%), hotels, cafés and restaurants (4.9%), and housing (4.8%). Because of their influence on the annual CPI, it is notable to point out the rise in certain basic products such as milk, up by 31.7%, and bread, up by 14.4%, and fresh fruit, up by 7.8% in January 2007. The price of poultry or chicken meat (the most widely consumed) has also increased by 10.2%.

> The unemployment rate recorded in the Public Employment Services in December was 35,074 higher than the same month last year, with the total number of unemployed persons at 2007 year end standing at 2,129,547, which is 106,674 (5.27%) more than the previous year, according to Labour Ministry data. The number of contracts in December (1,261,319) dropped by 9% compared to the same month in 2006, although the overall figure for the year rose by 0.5%, to 18,622,108, a historical high. By sector, in December unemployment was mainly focused in the building sector, with 32,302 unemployed (12.84% more than in November), followed by industry with 8,443 unemployed (3.11%) and services, with 566 (0.04%), whilst first-time unemployed collective was down by 5,839 persons (2.67% less) and unemployment in the farming sector also fell by 398 (0.58% less).

> 2007 has also been characterised by a considerable rise in the price of oil, with a 64% increase in the price per barrel according to Brent during the year, reaching a price of $98.69/barrel at year end.

> The Euro, which has increased in value again by 10.4% (compared to the 11.6% last year), has closed 2007 with an exchange rate of Euros 1.457 /US dollar. This revaluation of the euro vs. the dollar is due, on one hand, to the narrowing of the spread between US interest rates and those of the Eurozone (by 1.5 p.p., to sustain a spread of only 0.25 p.p.) and, on the other hand, to the economic growth expectations in both areas.

> The ECB put up interest rates twice in 2007 (in March and in June), from 3.50% to 4.00%. The Euribor at 1 year (main point of reference for mortgage loans) stood at 4.75% in December, its highest rate since December 2000.

> As regards securities markets, the stock exchange closed 2007 with an increase of just 5.9%, compared to the 31.8% registered in 2006, marking the end of an upward trend that has lasted four years, during which time the IBEX-35 more than doubled its value. At the end of 2007 this indicator stood at 15,182.

Significant events

> After the respective Extraordinary General Assemblies of Cajamar and Caja Rural del Duero approved the Project for the Merger by Absorption of the latter by the former on 24 August 2007, at the end of 2007 (27 December) the merger in accordance with this agreement was ultimately registered by public deed in the corresponding Mercantile Registries.

Business progress

> Business managed by the Entity, including wholesale issues, exceeds Euros 45,000 thousand, at 2007 year end, after registering a year-on-year growth of over 20.4% (similar to the prior year).

> The Cajamar Balance sheet has increased significantly, by 23.5% with respect to 2006, to reach Euros 23,898 million.

> Total funds managed come to over Euros 21,700 million, after increasing at rates of almost 17% year-on-year. Customer borrowed capital has exceeded Euros 13,000 million, after going up by Euros 2,129 million during the year (19.6% in relative terms).

> Gross loans and advances to other debtors in the balance sheet reached Euros 22,420 million, after experiencing an increase of 26.2%.

> Overall loans and advances to other debtors, which includes additionally all off-balance sheet liabilities managed by the Entity (mainly securitisations), amounts to Euros 23,307 million, after recording growth during this year of 24.0%.

> Cajamar, has managed to sustain its default rate at levels of slightly over 1%, bringing its volume of doubtful assets to Euros 245.9 million

> In July 2007, the Fitch Ratings agency confirmed Cajamar's long-term rating of «A» and a short-term rating of «F1». In October the institutional long-term rating from Moody's was upgraded to «A1» and a short-term rating confirmed at «P-1».

FITCH	
Long-term	A
Short-term	F1
Outlook	Stable
Individual	B
Support	3

MOODY´S	
Long-term	A1
Short-term	P-1
Financial strength	C+

> In 2007 Cajamar has carried out two asset securitisations/conversions for a global amount of approximately Euros 2,000 million, which has remained in the portfolio, simply converting loans and receivables into fixed-income investments.

> At the end of 2007 Cajamar has a total of 915 branches, and a headcount of 4,029 employees and 169 interns.

Share capital

> At year end Share Capital amounts to Euros 623 million, of which Euros 94 million are Capital having the nature of a financial liability, whilst the rest forms part of Equity.

> The number of members is in excess of 500,000, 93.0% of whom are private individuals, and the remaining 7% are legal entities.

> During 2007, share capital rose by a net sum of Euros 73 million.

Risk management

> A comprehensive analysis of the situation at the close of 2007 and of the management during the year of the Entity's different types of risks (credit, market, liquidity, interest rate, operational, and exchange rate) is detailed in Note 6 of the annual report, which forms an integral part of the Annual Accounts.

Profits

> Net interest income, despite the interest rate effect, has been favoured by the good performance of customer business, registering a growth of 20.7% this year, notably intensifying its growth rate with respect to the prior year (12.4%).

> Gross income amounts to Euros 540.2 million, 17.6% up on the prior year. The policy to contain increasing expenses, together with a significant boost in gross income, has driven net operating income up by 28.0%, to reach Euros 270.9 million.

> Cajamar has allocated Euros 115.7 million to cover asset impairment losses, Euros 109.4 of which correspond to Loans and Receivables.

> Finally, Cajamar has obtained Euros 142.5 million in profit before tax and finally, after deducting both the corporate income tax and the education and development fund provision, its net profit comes to Euros 120.6 million, 12.2% higher than the previous year.

Efficiency

> Cajamar has improved its efficiency ratio during the year, bringing it to 49.86%, as a result of a 8.6% increase in operating expenses of (including amortisation and depreciation) and a 17.6% growth in gross income. If we exclude depreciation and amortisation, the efficiency ratio drops down to 43.75%, after reducing by 2.48 p.p.

> At year end, Cajamar has extended its sales activity to five new provinces, Ávila, León, Palencia, Palma de Mallorca and Valladolid, creating a commercial network of 915 branches distributed throughout 27 provinces and 2 autonomous cities.

Solvency

> At the close of 2007, the eligible capital base of the Cajamar Group came to Euros 2,149 million, a figure that reveals a surplus of Euros 625 million over the minimum capital requirements (41.0% in relative terms).

> The soundness of the Group's eligible capital base is due mainly to the first category eligible capital, which represents 75.0% of the total and which has increased with respect to the prior year, when it stood at 72.8%, proving the quality of the Cajamar Group's solvency.

> The solvency ratio closed 2007 at 11.28%, 3.28 p.p. over the required minimum (8%). The Core Capital is 8.58%, 4.58 p.p. above the Regulator requirement.

Technology projects, alternative channels and R&D

> From a technological point of view, 2007 has been affected by the merger of Cajamar and Caja Rural del Duero. This process will culminate during the first quarter of 2008 with the operative integration of the 121 offices of Caja Rural del Duero into the current systems of Cajamar.

> The significant information demands of Cajamar have been catered for with the implementation of Datamarts. The Datamart Commercial package has been upgraded with a fully integrated campaign manager complete with the transactional solution for the branch network. The appropriate developments have been made to put the Human Resources Datamart into operation and the Datamart Risk application is nearing finalisation. The latter will cover electronic reporting of risks in compliance with the Basel II requirements.

> Equipping branches with scanners not only promotes the "paper-free office" concept, but it also facilitates the management of proceedings in progress, enabling risk concession terms to be reduced.

> The branch transaction system has been replaced. The main advantages of this new tool are:

> Improved response times
> Single window to all the Cajamar information systems from branches
> Integrated with the sales campaign manager and alert systems
> Reduces training time
> Applies the latest usability criteria
> Assists sales tasks

> With reference to alternative channels, during 2007 Cajamar has continued to increase its remote product and services offer, incorporating new options in Online Broker, ATMs, e-banking and tele-banking. At present, Cajamar's offer relating to remote banking channels is in harmony with the offer on the market. It is even comparable to the major entities (according to the ranking published by Agmetrix, an independent firm specialised in qualifying, measuring and comparing financial services by Internet). 2007 has closed with more than 500,000 customers registered on remote channels and these customers have performed an average of 5 million transactions per month, moving over Euros 5,400 million throughout the course of the year, 45% more than in 2006.

> The most outstanding project in terms of channels has been the integration of the savings account book module into the ATM network, enabling customers to update their statements and withdraw funds from ATMs using their account book as identification. The integration of this service throughout the entire ATM network will be undertaken gradually and will provide the customer a new way of interacting with the Entity.

> At 31 December 2007 Cajamar has capitalised R&D projects under the "Intangible assets" caption of the Balance sheet for an overall amount of Euros 11.1 million.

Other information

> Irrespective of the contents of these notes, between 31 December 2007 and 28 January 2008, date of preparation of these annual accounts by the Governing Board, no significant subsequent events have occurred which require inclusion in the accompanying annual accounts in order for these to present a fair view of the equity, financial situation and profits of the Entity.

Consolidated Financial Statements

Assets	Thousands of Euros 2007	2006
Cash and balances with central banks	340,820	337,647
Financial assets held for trading	4,839	277
Loans and advances to credit institutions	3,363	-
Money market operations through counterparties	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Trading derivatives	1,476	277
Memorandum item: Loaned or advanced as collateral	-	-
Other financial assets at fair value through profit or loss	-	-
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
Available-for-sale financial assets	237,226	265,414
Debt securities	54,258	73,874
Other equity instruments	182,968	191,540
Memorandum item: Loaned or advanced as collateral	-	-
Loans and receivables	22,657,408	18,206,115
Loans and advances to credit institutions	606,977	689,151
Money market operations through counterparties	-	-
Loans and advances to other debtors	21,915,557	17,374,626
Debt securities	-	-
Other financial assets	134,874	142,338
Memorandum item: Loaned or advanced as collateral	*7,222,980*	*4,622,575*
Held-to-maturity investments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-
Hedging derivatives	9,390	6,052
Non-current assets held for sale	4,635	2,102
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Equity instruments	-	-
Tangible assets	4,635	2,102
Other assets	-	-
Investments	67,816	65,777
Associates jointly controlled entities	67,816	65,777
Group entities	-	-
Insurance contracts linked to pensions	-	-
Reinsurance assets	-	-
Tangible assets	378,822	318,855
For own use	364,975	306,783
Investment properties	9,958	9,167
Other assets leased out under an operating lease	331	752
Assigned to welfare projects	3,558	2,153
Memorandum item: Acquired under a finance lease	-	-
Intangible assets	15,842	12,988
Goodwill	-	-
Other intangible assets	15,842	12,988
Tax assets	116,012	85,009
Current	1,539	1,264
Deferred	114,473	83,745
Prepayments and accrued income	32,196	17,462
Other assets	45,187	47,721
Inventories	654	715
Other	44,533	47,006
TOTAL ASSETS	23,910,193	19,365,419

Liabilities and Equity

	Thousands of Euros	
	2007	2006
Financial liabilities held for trading	719	10
Deposits from credit institutions	-	-
Money market operations through counterparties	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Trading derivatives	719	10
Short positions	-	-
Other financial liabilities at fair value through profit or loss	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Financial liabilities at fair value through equity	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Financial liabilities at amortised cost	21,848,095	17,577,269
Deposits from central banks	1,154,024	-
Deposits from credit institutions	770,140	595,482
Money market operations through counterparties	-	-
Deposits from other creditors	17,322,227	15,473,671
Debt certificates including bonds	1,959,944	916,847
Subordinated liabilities	359,445	359,021
Other financial liabilities	282,315	232,248
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-
Hedging derivatives	97,338	53,342
Liabilities associated with non-current assets held for sale	-	-
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Other liabilities	-	-
Liabilities under insurance contract	-	-
Provisions	89,632	73,846
Provisions for pensions and similar obligations	12,547	4,735
Provisions for taxes	-	-
Provisions for contingent exposures and commitments	14,114	14,716
Other provisions	62,971	54,395
Tax liabilities	72,196	60,391
Current	15,331	7,962
Deferred	56,865	52,429
Accrued expenses and deferred income	56,751	45,146
Other liabilities	32,104	77,518
Welfare fund	7,306	6,253
Other	24,798	71,265
Capital having the nature of a financial liability	94,155	86,699
TOTAL LIABILITIES	22,290,990	17,974,221

Equity

	Thousands of Euros	
	2007	**2006**
Minority interest	1,121	2,054
Valuation adjustments	25,970	23,282
Available-for-sale financial assets	25,970	23,282
Financial liabilities at fair value through equity	-	-
Cash flow hedges	-	-
Hedges of net investments in foreign operations	-	-
Exchange differences	-	-
Non-current assets held for sale	-	-
Own funds	1,592,112	1,365,862
Capital or endowment fund		
Issued	528,951	462,933
Unpaid and uncalled (-)	-	-
Share premium	573	752
Reserves:		
Accumulated reserves (losses)	950,933	805,459
Retained earnings	6,007	-
Reserves (losses) in entities accounted for by the equity method:		
Associates	4,149	(1,501)
Jointly controlled entities	-	-
Other equity instruments		
Equity component of compound financial instruments	-	-
Other	-	-
Less: Treasury shares	-	-
Non-voting equity units and associated funds (savings banks):	-	-
Non-voting equity units	-	-
Reserves of holders of non-voting equity units	-	-
Stabilisation fund	-	-
Profit attributed to the group	125,890	113,570
Less: Dividends and remuneration	*(24,391)*	*(15,351)*
TOTAL EQUITY	1,619,203	1,391,198
TOTAL LIABILITIES AND EQUITY	23,910,193	19,365,419

Memorandum Accounts

	Thousands of Euros	
	2007	**2006**
MEMORANDUM ITEM		
Contingent exposures	881,855	810,510
Financial guarantees	828,826	809,036
Assets earmarked for third party obligations	-	-
Other contingent exposures	53,029	1,474
Contingent commitments	3,625,700	2,982,687
Drawable by third parties	3,529,319	2,846,953
Other commitments	96,381	135,734
TOTAL MEMORANDUM ACCOUNTS	4,507,555	3,793,197

Income Statement

	Thousands of Euros	
	2007	**2006**
Interest and similar income	**1,033,959**	**701,854**
Interest expense and similar charges	**(596,032)**	**(341,148)**
Remuneration of capital having the nature of a financial liability	(4,015)	(1,997)
Other	(592,017)	(339,151)
Return on equity instruments	**2,537**	**2,367**
A) NET INTEREST INCOME	440,464	363,073
Share of profit or loss of entities accounted for using the equity method	**71**	**7,897**
Associates	71	7,897
Jointly controlled entities	-	-
Fee and commission income	**101,742**	**91,402**
Fee and commission expense	**(11,427)**	**(10,602)**
Insurance activity	**-**	**-**
Insurance and reinsurance premium income	-	-
Reinsurance premiums paid	-	-
Benefits paid and other insurance-related expenses	-	-
Reinsurance income	-	-
Net provisions for on insurance contracts liabilities	-	-
Financial income	-	-
Financial expenses	-	-
Gains or losses on financial assets and liabilities (net)	**6,041**	**10,090**
Held for trading	(1,067)	(901)
Other financial instruments at fair value through profit or loss	-	-
Available-for-sale financial assets	3,956	4,978
Loans and receivables	-	-
Other	3,152	6,013
Exchange differences (net)	**1,187**	**1,938**
B) GROSS INCOME	538,078	463,798
Sales and income from the provision of non-financial services	**28,065**	**30,985**
Cost of sales	**(8,942)**	**(9,148)**
Other operating income	**29,666**	**27,466**
Personnel expenses	**(199,018)**	**(180,510)**
Other administrative expenses	**(79,467)**	**(73,191)**
Depreciation and amortisation	**(34,455)**	**(37,368)**
Tangible assets	(28,306)	(28,403)
Intangible assets	(6,149)	(8,965)
Other expenses	**(8,350)**	**(8,981)**
C) NET OPERATING INCOME	265,577	213,051
Impairment losses (net)	**(112,314)**	**(63,560)**
Available-for-sale financial assets	(385)	(355)
Loans and receivables	(111,636)	(65,855)
Held-to-maturity investments	-	-
Non-current assets held for sale	285	(285)
Investments	-	-
Tangible assets	(578)	2,935
Goodwill	-	
Other intangible assets	-	-
Other assets	-	-
Provisioning expense (net)	**(23,159)**	**(25,303)**
Financial income from non-financial activities	**-**	**-**
Financial expenses of non-financial activities	**-**	**-**
Other gains	**19,871**	**12,009**
Gains on disposal of tangible assets	7,431	10,758
Gains on disposal of investments	11,523	65
Other	917	1,186
Other losses	**(4,006)**	**(4,254)**
Losses on disposal of tangible assets	(889)	(938)
Losses on disposal of investments	-	(212)
Other	(3,117)	(3,104)
D) PROFIT BEFORE TAX	145,969	131,943
Income tax	**(10,757)**	**(9,079)**
Mandatory transfer to welfare funds	**(10,832)**	**(10,241)**
E) PROFIT FROM ORDINARY ACTIVITIES	124,380	112,623
Profit or loss from discontinued operations (net)	**-**	**-**
F) CONSOLIDATED PROFIT FOR THE PERIOD	124,380	112,623
Profit attributed to minority interest	**(1,510)**	**(947)**
G) PROFIT ATTRIBUTED TO THE GROUP	125,890	113,570

Statement of changes in Equity

	Thousands of Euros	
	2007	2006
NET INCOME RECOGNISED DIRECTLY IN EQUITY	2,688	(380)
Available-for-sale financial assets	2,688	(380)
Revaluation gains/losses	9,055	1,976
Amounts transferred to income statement	(3,618)	(4,064)
Income tax	(2,749)	1,708
Reclassifications	-	-
Other financial liabilities at fair value	-	-
Revaluation gains/losses	-	-
Amounts transferred to the income statement	-	-
Income tax	-	-
Reclassifications	-	-
Cash flow hedges	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Amounts transferred to the initial carrying amount of hedged items	-	-
Income tax	-	-
Reclassifications	-	-
Hedge of net investments in foreign operations	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
Exchange differences	-	-
Translation gains/losses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
Non-current assets held for sale	-	-
Revaluation gains	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
CONSOLIDATED PROFIT FOR THE PERIOD	130,387	112,623
Published consolidated profit for the period (*)	130,387	112,623
Adjustments due to changes in accounting policies	-	-
Adjustments made to correct errors	-	-
TOTAL INCOME AND EXPENSES FOR THE YEAR	127,068	112,243
Parent	128,578	113,190
IMinority Interest	(1,510)	(947)
MEMORANDUM ITEM: EQUITY ADJUSTMENTS ALLOCABLE TO PRIOR PERIODS	-	-
Effect of changes in accounting policies	-	-
Own funds	-	-
Valuation adjustments	-	-
Minority interest	-	-
Effect of errors	-	-
Own funds	-	-
Valuation adjustments	-	-
Minority interest	-	-

(*) Includes the Retained Earnings incorporated from Caja Rural del Duero, Sociedad Cooperativa de Crédito.

Cash flow statement

	Thousands of Euros 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated profit for the year	124,380	112,623
Adjustment to profit:		
Depreciation of tangible assets (+)	28,306	28,403
Amortisation of intangible assets (+)	6,149	8,965
Impairment losses (+/-)	112,314	63,560
Net provisions for insurance contract liabilities	-	-
Provisioning expense (net) (+/-)	23,160	25,303
(Gains/Losses on disposal of tangible assets (-/+)	(6,542)	(9,820)
Gains/Losses on disposal of investments (-/+)	(11,523)	147
Share of profit or loss of entities accounted for using the equity method (net of dividends) (+/-)	(71)	(7,897)
Taxes (+/-)	10,757	9,079
Other non-monetary items (+/-)	29,701	24,495
Other	-	-
Adjusted profit	**316,631**	**254,858**
Net increase/decrease in operating assets	**(4,506,628)**	**(2,831,900)**
Financial assets held for trading		
Loans and advances to credit institutions	3,363	-
Money market operations through counterparties	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Trading derivatives	-	-
Other financial assets at fair value through profit or loss		
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Available-for-sale financial assets		
Debt certificates including bonds	19,011	105,834
Other equity instruments	11,480	(43,043)
Loans and receivables		
Loans and advances to credit institutions	82,233	306,720
Money market operations through counterparties	-	-
Loans and advances to other debtors	(4,628,129)	(3,190,858)
Debt securities	-	-
Other equity instruments	9,882	(12,905)
Other operating assets	2,258	2,352
Net increase/decrease in operating liabilities	**4,233,085**	**2,611,061**
Financial liabilities held for trading		
Deposits from credit institutions	-	-
Money market operations through counterparties	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Trading derivatives	-	-
Short positions	-	-
Other financial liabilities at fair value through profit or loss		
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Financial liabilities at fair value through equity		
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Financial liabilities at amortised cost		
Deposits from central banks	1,150,000	(200,373)
Deposits from credit institutions	171,991	(352,777)
Money market operations through counterparties	-	-
Deposits from other creditors	1,865,217	3,155,644
Debt certificates including bonds	1,026,899	28,404
Other financial liabilities	98,832	(1,542)
Other operating liabilities	(79,854)	(18,295)
Total net cash flows from operating activities	**43,088**	**34,019**

	Thousands of Euros	
	2007	**2006**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments: (-)		
Group entities, jointly controlled entities and associates	(4,982)	(48,635)
Tangible assets	(93,565)	(42,008)
Intangible assets	(9,061)	(7,020)
Held-to-maturity investments	-	-
Other financial assets	-	-
Other assets	-	-
Divestments: (+)		
Group entities, jointly controlled entities and associates	14,502	22,486
Tangible assets	9,009	14,267
Intangible assets	58	-
Held-to-maturity investments	-	-
Other financial assets	-	-
Other assets	-	-
Total net cash flows from investing activities	**(84,039)**	**(60,910)**
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance/Redemption of capital or endowment fund	67,340	77,756
Acquisition of own equity instruments (-)	-	-
Disposal of own equity instruments (+)	-	
Issuance/Redemption of non-voting equity units	-	-
Issuance/Redemption of other equity instruments	-	-
Issuance/Redemption of capital having the nature of a financial liability	7,456	13,886
Issuance/Redemption of subordinated liabilities	-	-
Issuance/Redemption of other long-term liabilities	-	
Increase/Decrease of minority interests	(2,443)	(904)
Dividends/interest paid (-)	(28,406)	(17,348)
Other items relating to financing activities	-	-
Total net cash flows from financing activities	**43,947**	**73,390**
Effect of exchange rate changes on cash or cash equivalents	**-**	**-**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**2,996**	**46,499**
Cash or cash equivalents at beginning of period	337,284	290,785
Cash or cash equivalents at end of period	340,280	337,284