Auditor’s Report and Annual Accounts

PRICEWATERHOUSECOOPERS

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A free translation of the Auditor's Report originally issued in Spanish on the Annual Accounts prepared in accordance with the accounting standards included in the Circular 4/2004 of Bank of Spain. In the event of a discrepancy, the Spanish language version prevails

AUDITORS´REPORT ON THE ANNUAL ACCOUNTS

To the Shareholders of Cajamar Caja Rural, Sociedad Cooperativa de Crédito

We have audited the annual accounts of Cajamar Caja Rural, Sociedad Cooperativa de Crédito consisting of the balance sheet as at 31 December 2008, the income statement, the cash flow statement, the statement of changes in net equity and the related notes to the annual accounts for to the year then ended, the preparation of which is the responsibility of the Directors of the Entity. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on the work performed in accordance with auditing standards generally accepted in Spain, which required the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

For comparative purposes and in accordance with Spanish Corporate Law, the Entity's Directors have presented for each item in the balance sheet, the income statement, the cash flow statement, the statement of changes in net equity and the related notes to the annual accounts, the corresponding amounts for the previous year as well as the amounts for 2008. Our opinion refers solely to the 2008 annual accounts. On 15 February 2008, we issued our audit report on the annual accounts for 2007, in which we expressed an unqualified opinion.

In our opinion, the accompanying annual accounts for 2008 presents fairly, in all material respects, the financial position of Cajamar Caja Rural, Sociedad Cooperativa de Crédito as at 31 December 2008, and the results of its operations, changes in net equity and cash flows for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with the Circular 4/2004 of Bank of Spain, applied on a basis consistent with those applied in the previous year.

The accompanying Directors' Report for 2008 contains the information that the Directors consider relevant to the Entity's position, the evolution of its business and the other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the aforementioned Directors' Report coincides with that of the annual accounts for 2008. Our work as auditors is limited to checking the Directors' Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the accounting records of Cajamar Caja Rural, Sociedad Cooperativa de Crédito.

PricewaterhouseCoopers Auditores, S.L.

PRICEWATERHOUSECOOPERS AUDITORES, S.L. ... Castellana, 43 - 28046 ...

Original in Spanish signed by
Fco. Javier Astiz Fernández
Audit Partner

30 January 2009

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Annual Accounts and Management Report

Year 2008

Assets

	Thousands of euros	
	2008	2007
Cash and balances with central banks	**534,169**	**340,816**
Financial assets held for trading	**252**	**4,839**
Loans and advances to credit institutions	-	3,363
Loans and advances to other debtors	-	-
Debt securities	-	-
Equity instruments	-	-
Trading derivatives	252	1,476
Memorandum item: Loaned or advanced as collateral	-	-
Other financial assets at fair value through profit or loss	**20,201**	**-**
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	20,201	-
Debt securities	-	-
Other equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
Available-for-sale financial assets	**143,936**	**222,835**
Debt securities	28,131	51,003
Equity instruments	115,805	171,832
Memorandum item: Loaned or advanced as collateral	-	-
Loans and receivables	**23,319,461**	**22,665,810**
Loans and advances to credit institutions	567,683	699,886
Loans and advances to other debtors	22,751,778	21,965,924
Debt securities	-	-
Memorandum item: Loaned or advanced as collateral	*9,491,032*	*7,608,570*
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	**27,506**	**9,390**
Non-current assets held for sale	**103,470**	**3,725**
Investments	**72,737**	**77,223**
Associates	44,540	48,804
Jointly-controlled entities	40	40
Group entities	28,157	28,379
Insurance contracts linked to pensions	**-**	**-**
Tangible assets	**457,391**	**348,733**
Tangible assets	384,434	338,775
For own use	*380,790*	*334,886*
Leased out under an operating lease	*54*	*331*
Assigned to the Education and Development Fund	*3,590*	*3,558*
Investment properties	72,957	9,958
Memorandum item: acquired under a finance lease	-	-
Intangible assets	**32,248**	**11,070**
Goodwill	-	-
Other intangible assets	32,248	11,070
Tax assets	**166,673**	**113,950**
Current	63,628	326
Deferred	103,045	113,624
Rest of assets	**275,796**	**99,506**
TOTAL ASSETS	**25,153,840**	**23,897,897**

Liabilities and Equity

	Thousands of euros 2008	2007
Financial liabilities held for trading	**6**	**719**
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Trading derivatives	6	719
Short positions	-	-
Other financial liabilities	-	-
Other financial liabilities at fair value through profit or loss	**-**	**-**
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Subordinated liabilities	-	-
Other financial liabilities	-	-
Financial liabilities at amortised cost	**22,889,626**	**21,857,294**
Deposits from central banks	2,400,809	1,154,024
Deposits from credit institutions	749,020	769,751
Deposits from other creditors	18,161,212	17,334,130
Debt certificates including bondss	1,031,414	1,959,944
Subordinated liabilities	299,348	359,445
Other financial liabilities	247,823	280,000
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	**-**	**-**
Hedging derivatives	**17,922**	**105,512**
Liabilities associated with non-current assets held for sale	**-**	**-**
Provisions	**85,385**	**92,816**
Provisions for pensions and similar obligations	21,150	12,547
Provisions for taxes and other legal contingencies	-	-
Provisions for contingent exposures and commitments	10,112	14,132
Other provisions	54,123	66,137
Tax liabilities	**50,329**	**68,856**
Current	-	13,222
Deferred	50,329	55,634
Education and Development Fund	**5,828**	**7,306**
Rest of liabilities	**133,505**	**69,730**
Capital refundable on demand	**145,156**	**94,155**
TOTAL LIABILITIES	**23,327,757**	**22,296,388**

Equity

	Thousands of euros 2008	2007
Own funds	**1,818,852**	**1,578,394**
Capital:	678,342	528,951
Issued	*678,342*	*528,951*
Less: Unpaid and uncalled	-	-
Share premium	-	-
Reserves	1,049,355	953,234
Other equity instruments	-	-
Equity component of compound financial instruments	-	-
Non-voting equity units and associated funds	-	-
Rest of equity instruments	-	-
Less: Treasury shares	-	-
Profit or loss for the period	126,585	120,600
Less: Dividends and remuneration	(35,430)	(24,391)
Valuation adjustments	**7,231**	**23,115**
Available-for-sale financial assets	7,231	23,115
Cash flow hedges	-	-
Hedges of net investments in foreign operations	-	-
Exchange differences	-	-
Non-current assets held for sale	-	-
Rest of valuation adjustments	-	-
TOTAL EQUITY	**1,826,083**	**1,601,509**
TOTAL LIABILITIES AND EQUITY	**25,153,840**	**23,897,897**

Memorandum Accounts

	Thousands of euros 2008	2007
MEMORANDUM ITEM		
Contingent exposures	**711,120**	**883,886**
Contingent commitments	**2,489,195**	**3,625,700**
TOTAL MEMORANDUM ACCOUNTS	**3,200,315**	**4,509,586**

Income Statements

	Thousands of euros 2008	2007
Interest and similar income	1,367,020	1,035,750
Interest expense and similar charges	(864,536)	(592,539)
Remuneration of capital refundable on demand	(6,164)	(4,015)
A) NET INTEREST INCOME	**496,320**	**439,196**
Return on equity instruments	1,429	5,400
Fee and commission income	109,981	99,004
Fee and commission expense	(9,524)	(10,139)
Gains or losses on financial assets and liabilities (net):	37,438	5,520
Held for trading	*2,226*	*(1,067)*
Other financial instruments at fair value through profit or loss	*4,366*	-
Financial instruments not at fair value through profit and loss	*27,475*	*3,435*
Other	*3,371*	*3,152*
Exchange differences (net)	(340)	1,187
Other operating income	14,894	30,309
Other operating expenses	(14,380)	(10,946)
B) GROSS INCOME	**635,818**	**559,531**
Administrative expenses:	(299,759)	(257,636)
Personnel expenses	*(209,273)*	*(174,949)*
Other administrative expenses	*(90,486)*	*(82,687)*
Depreciation and amortisation	(34,143)	(32,984)
Provisioning expenses (net)	(11,880)	(28,278)
Impairment losses on financial assets (net):	(107,667)	(109,825)
Loans and receivables	*(107,581)*	*(109,382)*
Other financial instruments not at fair value through profit and loss	*(86)*	*(443)*
C) NET OPERATING INCOME	**182,369**	**130,808**
Impairment losses on rest of assets (net):	(41,519)	(6,202)
Goodwill and other intangible assets	-	-
Other assets	*(41,519)*	*(6,202)*
Gains/(Losses) on disposal of non-current assets held for sale	4,103	15,409
Negative difference in business combinations	-	-
Gains/(Losses) on non-current assets held for sale not classified as discontinued operations	(580)	2,447
D) PROFIT OR LOSS BEFORE TAX	**144,373**	**142,462**
Income tax	(7,660)	(11,030)
Assigned to the Education and Development Fund	(10,128)	(10,832)
E) PROFIT OR LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**126,585**	**120,600**
Profit or loss from discontinued operations (net)	-	-
F) PROFIT OR LOSS FOR THE PERIOD	**126,585**	**120,600**

Statements of Recognised Income and Expenses

	Thousands of euros 2008	2007
A) PROFIT OR LOSS FOR THE PERIOD	**126,585**	**126,607**
B) OTHER RECOGNISED INCOME AND EXPENSES	**(15,884)**	**602**
Available-for-sale financial assets	(22,499)	2,300
Revaluation gains (losses)	4,812	5,553
Amounts transferred to income statement	(27,311)	(3,253)
Other reclassifications	-	-
Cash flow hedges	-	-
Revaluation gains (losses)	-	-
Amounts transferred to income statement	-	-
Amounts transferred to the initial amount of hedged items	-	-
Other reclassifications	-	-
Hedges of net investments in foreign operations	-	-
Revaluation gains (losses)	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Exchange differences	-	-
Revaluation gains (losses)	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Non-current assets held for sale	-	-
Revaluation gains (losses)	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Actuarial gains (losses) in pension plans	-	-
Rest of recognised income and expenses	-	-
Income tax	6,615	(1,698)
TOTAL RECOGNISED INCOME AND EXPENSES (A + B)	**110,701**	**127,208**

Statement of Changes in Equity at 31 December 2008

Thousands of euros

	Own funds								
	Capital/Endowment fund	Share premium	Reserves	Other equity instruments	Less: treasury shares	Profit or loss for the period	Less: dividends and remuneration	Total equity	Valuation adjustments	Total equity
Closing balance at 31 December 2007	528,951	-	953,234	-	-	120,600	(24,391)	1,578,394	23,115	1,601,509
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Adjusted opening balance	528,951	-	953,234	-	-	120,600	(24,391)	1,578,394	23,115	1,601,509
Total recognised income and expenses	-	-	-	-	-	126,585	-	126,585	(15,884)	110,701
Other changes in equity	149,391	-	96,121	-	-	(120,600)	(11,039)	113,873	-	113,873
Capital/Endowment fund increases	149,391	-	-	-	-	-	-	149,391	-	149,391
Capital/Endowment fund reductions	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-	-
Ilncreases in other equity instruments	-	-	-	-	-	-	-	-	-	-
Financial liabilities transferred to other equity instruments	-	-	-	-	-	-	-	-	-	-
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/ Remuneration of members	-	-	-	-	-	-	(35,430)	(35,430)	-	(35,430)
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	96,121	-	-	(120,512)	24,391	-	-	-
Increases (Reductions) due to business combinations	-	-	-	-	-	-	-	-	-	-
Optional transfer to welfare funds	-	-	-	-	-	(88)	-	(88)	-	(88)
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
Rest of increases (reductions) in equity	-	-	-	-	-	-	-	-	-	-
Closing balance at 31 December 2008	678,342	-	1,049,355	-	-	126,585	(35,430)	1,818,852	7,231	1,826,083

Cash flow statements at 31 December 2008 and 2007

Thousands of euros

	Own funds								
	Capital/Endowment fund	Share premium	Reserves	Other equity instruments	Less: treasury shares	Profit or loss for the period	Less: dividends and remuneration	Total equity	Valuation adjustments	Total equity
Closing balance at 31 December 2006	462,933	-	804,374	-	-	107,527	(15,351)	1,359,483	22,513	1,381,996
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Adjusted opening balance	462,933	-	804,374	-	-	107,527	(15,351)	1,359,483	22,513	1,381,996
Total recognised income and expenses	-	-	-	-	-	126,607	-	126,607	602	127,209
Other changes in equity	66,018	-	148,860	-	-	(113,534)	(9,040)	92,304	-	92,304
Capital/Endowment fund increases	66,018	-	-	-	-	-	-	66,018	-	66,018
Capital/Endowment fund reductions	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-	-
Ilncreases in other equity instruments	-	-	-	-	-	-	-	-	-	-
Financial liabilities transferred to other equity instruments	-	-	-	-	-	-	-	-	-	-
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/ Remuneration of members	-	-	-	-	-	-	(24,391)	(24,391)	-	(24,391)
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	98,183	-	-	(113,534)	15,351	-	-	-
Increases (Reductions) due to business combinations	-	-	50,677	-	-	-	-	50,677	-	50,677
Optional transfer to welfare funds	-	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
Rest of increases (reductions) in equity	-	-	-	-	-	-	-	-	-	-
Closing balance at 31 December 2007	528,951	-	953,234	-	-	120,600	(24,391)	1,578,394	23,115	1,601,509

Cash flow statement

	Thousands of euros 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES	383,986	38,245
Profit or loss for the period	126,585	120,600
Adjustments to obtain cash flows on operating activities:	243,852	199,879
Depreciation and amortisation	34,143	32,984
Other adjustments	209,709	166,895
Net increase/decrease in operating assets:	951,395	4,533,063
Financial assets held for trading	(3,363)	3,363
Other financial assets at fair value through profit or loss	20,201	-
Available-for-sale financial assets	(62,929)	(34,824)
lLoans and receivables	744,993	4,552,061
Other operating assets	252,493	12,463
Net increase/decrease in operating liabilities:	996,460	4,280,419
Financial assets held for trading	-	-
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	955,730	4,314,064
Other operating liabilities	40,730	(33,645)
Collections/Payments on account of income tax	(31,516)	(29,590)
CASH FLOWS FROM INVESTING ACTIVITIES	(289,431)	(80,143)
Payments:	294,854	98,164
Tangible assets	139,312	84,379
Intangible assets	26,310	7,808
Investments	27,981	3,158
Other business units	-	-
Non-current assets and associated liabilities held for sale	101,251	2,819
Held-to-maturity investments	-	-
Other payments relating to investing activities	-	-
Collections:	5,423	18,021
Tangible assets	3,444	6,405
Intangible assets	-	58
Investments	1,979	7,915
Other business units	-	-
Non-current assets and associated liabilities held for sale	-	3,643
Held-to-maturity investments	-	-
Other collections relating to investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	98,798	45,068
Payments:	101,594	28,406
Dividends	41,594	28,406
Subordinated liabilities	60,000	-
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments relating to financing activities	-	-
Collections:	200,392	73,474
Subordinated liabilities	-	-
Issuance of own equity instruments	200,392	73,474
Disposal of own equity instruments	-	-
Other collections relating to financing activities	-	-
EFFECT OF EXCHANGE RATE CHANGES	-	-
NET INCREASE (DECREASE) IN CASH OR CASH EQUIVALENTS	193,353	3,170
CASH OR CASH EQUIVALENTS AT BEGINNING OF PERIOD	340,816	337,646
CASH OR CASH EQUIVALENTS AT END OF PERIOD	534,169	340,816

MEMORANDUM ITEM	Thousands of euros 2008	2007
COMPONENTS OF CASH OR CASH EQUIVALENTS AT END OF PERIOD		
Cash and banks	534,169	340,816
Cash equivalent balances with central banks	-	-
Other financial assets	-	-
Less: Bank overdrafts refundable on demand	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF PERIOD	534,169	340,816

Contents

1. General Information

11.1. Nature of the Entity

Cajamar Caja Rural, Sociedad Cooperativa de Crédito is an entity set up 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.

Subsequently, 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 Limitada 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 Limitada 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 aforementioned merger transactions were taxed according to the special tax regime under prevailing legislation, stating the information required by relevant regulations in the first annual report approved thereafter.

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 institution. 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 924 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 2008 and 2007 was equivalent to 2% of the liabilities calculable for these purposes (Note 7.2).

- Distribution of at least 20% of the surplus available for the year to the Mandatory Reserve Fund (set at 80% by the Entity's Articles of Association – Note 19) 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 institution 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 100 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 Assembly, following the proposal of the Governing Board (Note 5).

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

- Royal Decree Law 1298/1986 of 28 June whereby the prevailing law on Credit Institutions 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 Institutions (Spanish Official State Gazette of 30 July).

- Bank of Spain Circular 4/2004 dated 22 December on Public and Reserved Financial Information Regulations, and subsequent modifications specified in Bank of Spain Circular 6/2008 dated 26 November, which states in its motives that the contents of the EU-adopted IFRS (International Financial Reporting Standards) have been adhered to.

- Bank of Spain Circular 3/2008 dated 22 May on the determination and control of Capital Adequacy on the basis of consolidated credit institutions, governed by Law 36/2007 of 16 November, which amends Law 13/1985 of 25 May on investment ratios, eligible capital and reporting obligations of financial intermediaries. This circular brings Spanish legislation applicable to credit institutions into line with European directives 2006/48/EC and 2006/49/EC of the European Parliament.

- Royal Decree 1332/2005 of 11 November, which implements Law 5/2005 of 22 April on the supervision of financial conglomerates (Mixed Groups).

- Circular 1/2008, of 30 January, from the Spanish National Securities Market Commission regarding periodic information from issuers with securities admitted for trading on regulated markets relating to half-yearly financial reports, interim management statements and, if applicable, quarterly financial reports.

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

The 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 and its subsequent modifications. As a result, these accounts present fairly the Entity's equity, financial position, results of operations, changes in equity and the Entity's cash flows.

The accompanying 2008 annual accounts have been drawn up by the Governing Board and will be submitted for approval by the General Assembly of Members, which is expected to be take place without significant changes.

The generally accepted accounting principles and valuation criteria described in this and the following Note have been applied in the preparation of the annual accounts. All compulsory accounting principles and valuation criteria that significantly affect the annual accounts have been omitted.

2.2. Going concern principle

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 based on the real exchange of goods and services, irrespective of collections and payments.

2.4. Offsetting of balances

Balances can only offset each other, and therefore be 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, when the intention is to settle them at their net amount or to realise the asset and settle the liability simultaneously.

2.5. Comparison of information

During the year 2008, modifications have been made both to Spanish legislation as well as to the EU IFRS affecting accounting regulations. Thus, the Bank of Spain has amended its Circular 4/2004 of 22 December with Bank of Spain Circular 6/2008 of 26 December. This change does not affect the Entity’s profit or equity; it only affects the criteria for presenting certain items and margins included in the Entity’s annual accounts at 31 December 2007.

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 2008 and those corresponding to the previous year, which, for the reason indicated in the previous paragraph, have been brought into line with the formats contained in Bank of Spain Circular 4/2004 modified by Bank of Spain Circular 6/2008.

Below is a reconciliation between the balance sheet and income statement at 31 December 2007 presented by the Entity in its annual accounts on that date and the balance sheet and income statement presented in these annual accounts, for comparative purposes.

Balance Sheet - Assets

Asset Structure according to the statements prepared in accordance with Bank of Spain Circular 4/2004	Thousands of euros 31/12/2007	Reclassification	31/12/2007	Asset Structure according to the statements prepared in accordance with Bank of Spain Circular 6/2008
Cash and balances with central banks	340,816	-	340,816	**Cash and balances with central banks**
Financial assets held for trading	4,839	-	4,839	**Financial assets held for trading**
Loans and advances to credit institutions	3,363	-	3,363	Loans and advances to credit institutions
Money market operations through counterparties	-	-		
Loans and advances to other debtors	-	-	-	Loans and advances to other debtors
Debt securities	-	-	-	Debt securities
Other equity instruments	-	-	-	Other equity instruments
Debt certificates including bonds	1,476	-	1,476	Debt certificates including bonds
Memorandum item: Loaned or advanced as collateral	-	-	-	*Memorandum item: Loaned or advanced as collateral*
Other financial assets at fair value through profit or loss	-	-	-	**Other financial assets at fair value through profit or loss**
Loans and advances to credit institutions	-	-	-	Loans and advances to credit institutions
Money market operations through counterparties	-	-		
Loans and advances to other debtors	-	-	-	Loans and advances to other debtors
Debt securities	-	-	-	Debt securities
Other equity instruments	-	-	-	Other equity instruments
Memorandum item: Loaned or advanced as collateral	-	-	-	*Memorandum item: Loaned or advanced as collateral*
Available-for-sale financial assets	222,835	-	222,835	**Available-for-sale financial assets**
Debt securities	51,003	-	51,003	Debt securities
Other equity instruments	171,832	-	171,832	Other equity instruments
Memorandum item: Loaned or advanced as collateral	-	-	-	*Memorandum item: Loaned or advanced as collateral*
Loans and receivables	22,688,712	-	22,665,810	**Loans and receivables**
Loans and advances to credit institutions	606,196	93,690	699,886	Loans and advances to credit institutions
Money market operations through counterparties	-	-		
Loans and advances to other debtors	21,947,763	18,161	21,965,924	Loans and advances to other debtors
Debt securities	-	-	-	Debt securities
Other financial assets	134,753	(134,753)		
Memorandum item: Loaned or advanced as collateral	*7,608,570*	-	*7,608,570*	*Memorandum item: Loaned or advanced as collateral*
Held-to-maturity investments	-	-	-	**Held-to-maturity investments**
Memorandum item: Loaned or advanced as collateral	-	-	-	*Memorandum item: Loaned or advanced as collateral*
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-	-	**Changes in the fair value of the hedged items in portfolio hedges of interest rate risk**
Hedging derivatives	9,390	-	9,390	**Hedging derivatives**
Non-current assets held for sale	3,725	-	3,725	**Non-current assets held for sale**
Loans and advances to credit institutions	-	-		
Loans and advances to other debtors	-	-		
Debt securities	-	-		
Equity instruments	-	-		
Tangible assets	3,725	-		
Rest of assets	-	-		
Investments	77,223	-	77,223	**Investments**
Associates	48,804	-	48,804	Associates
Jointly-controlled entities	40	-	40	Jointly-controlled entities
Group entities	28,379	-	28,379	Group entities
Insurance contracts linked to pensions	-	-	-	**Insurance contracts linked to pensions**
Tangible assets	348,733	-	348,733	**Tangible assets**
		-	338,775	Tangible assets
For own use	*334,886*	-	*334,886*	*For own use*
Investment properties	*9,958*	*(9,958)*		
Other assets leased out under an operating lease	*331*	-	*331*	*Other assets leased out under an operating lease*
Assigned to the Education and Development Fund	*3,558*	-	*3,558*	*Assigned to the Education and Development Fund*
		9,958	9,958	Ilnvestment properties
Memorandum item: Acquired under a finance lease	-	-	-	*Memorandum item: Acquired under a finance lease*
Intangible assets	11,070	-	11,070	**Intangible assets**
Goodwill	-	-	-	Goodwill
Other intangible assets	11,070	-	11,070	Other intangible assets
Tax assets	113,950	-	113,950	**Tax assets**
Current	326	-	326	Current
Deferred	113,624	-	113,624	Deferred
Prepayments and accrued income	32,069	(32,069)		
Rest of assets	44,535	54,971	99,506	**Other assets**
TOTAL ASSETS	23,897,897	-	23,897,897	**TOTAL ASSETS**

Balance Sheet - Liabilities

Liability Structure according to the statements prepared in accordance with Bank of Spain Circular 4/2004	Thousands of euros 31/12/2007	Reclassification	31/12/2007	Liability Structure according to the statements prepared in accordance with Bank of Spain Circular 6/2008
Financial assets held for trading	**719**	**-**	**719**	**Financial assets held for trading**
Deposits from credit institutions	-	-	-	Deposits from central banks
Money market operations through counterparties	-	-	-	Deposits from credit institutions
Deposits from other creditors	-	-	-	Deposits from other creditors
Debt certificates including bonds	-	-	-	Debt certificates including bonds
Trading derivatives	719	-	719	Trading derivatives
Short positions	-	-	-	Short positions
		-	-	Other financial liabilities
Other financial liabilities at fair value through profit or loss	**-**	**-**	**-**	**Other financial liabilities at fair value through profit or loss**
		-	-	Deposits from central banks
Deposits from credit institutions	-	-	-	Deposits from credit institutions
Deposits from other creditors	-	-	-	Deposits from other creditors
Debt certificates including bonds	-	-	-	Debt certificates including bonds
		-	-	Subordinated liability
		-	-	Other financial liabilities
Financial liabilities at fair value through equity	**-**	**-**		
Deposits from credit institutions	-	-		
Deposits from other creditors	-	-		
Debt certificates including bonds	-	-		
Financial liabilities at amortised cost	**21,885,345**	**-**	**21,857,294**	**Financial liabilities at amortised cost**
Deposits from central banks	1,154,024	-	1,154,024	Deposits from central banks
Deposits from credit institutions	769,751	-	769,751	Deposits from credit institutions
Money market operations through counterparties	-	-		
Deposits from other creditors	17,342,304	(8,174)	17,334,130	Deposits from other creditors
Debt certificates including bonds	1,959,944	-	1,959,944	Debt certificates including bonds
Subordinated liabilities	359,445	-	359,445	Subordinated liabilities
Other financial liabilities	269,877	10,123	280,000	Other financial liabilities
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	**-**		**-**	**Changes in the fair value of the hedged items in portfolio hedges of interest rate risk**
Hedging derivatives	**97,338**	**8,174**	**105,512**	**Hedging derivatives**
Liabilities associated with non-current assets held for sale	**-**	**-**	**-**	**Liabilities associated with non-current assets held for sale**
Deposits from other creditors	-	-		
Rest of liabilities	-	-		
Provisions	**92,816**	**-**	**92,816**	**Provisions**
Provisions for pensions and similar obligations	12,547	-	12,547	Provisions for pensions and similar obligations
Provisions for taxes	-	-	-	Provisions for taxes and other legal contingencies
Provisions for contingent exposures and commitments	14,132	-	14,132	Provisions for contingent exposures and commitments
Other provisions	66,137	-	66,137	Other provisions
Tax liabilities	**68,856**	**-**	**68,856**	**Tax liabilities**
Current	13,222	-	13,222	Current
Deferred	55,634	-	55,634	Deferred
Prepayments and accrued income	**55,055**	**(55,055)**		
Other liabilities	**32,104**	**-**		
Education and Development Fund	**7,306**	**-**	**7,306**	**Education and Development Fund**
Rest of liabilities	**24,798**	**44,932**	**69,730**	**Rest of liabilities**
Capital refundable on demand	**94,155**	**-**	**94,155**	**Capital refundable on demand**
TOTAL LIABILITIES	**22,296,388**	**-**	**22,296,388**	**TOTAL LIABILITIES**

Balance Sheet - Equity

Equity Structure according to the statements prepared in accordance with Bank of Spain Circular 4/2004	Thousands of euros 31/12/2007	Thousands of euros Reclassification	Thousands of euros 31/12/2007	Equity Structure according to the statements prepared in accordance with Bank of Spain Circular 6/2008
Own funds	**1,578,394**	**-**	**1,578,394**	**Own funds**
Capital:				Capital:
Issued	528,951	-	528,951	Issued
Pending uncalled share capital (-)	-	-	-	Less: Unpaid and uncalled
Share premium	-	-	-	Share premium
Reserves:		953,234	953,234	Reserves
Accumulated reserves	947,227	(947,227)		
Retained earnings	6,007	(6,007)		
Other equity instruments:				Other equity instruments:
Compound financial instruments	-	-	-	Compound financial instruments
		-	-	Non-voting equity units and associated funds (only savings banks)
Rest of equity instruments	-	-	-	Rest of equity instruments
Less: Treasury shares	-	-	-	Less: Treasury shares
Profit or loss for the period	120,600	-	120,600	Profit or loss for the period
Less: Returns to capital	(24,391)	-	(24,391)	Less: Dividends and remuneration
Valuation adjustments	**23,115**	**-**	**23,115**	**Valuation adjustments**
Available-for-sale financial assets	23,115	-	23,115	Available-for-sale financial assets
Financial liabilities at fair value through equity	-	-		
Cash flow hedges	-	-	-	Cash flow hedges
Hedges of net investments in foreign operations	-	-	-	Hedges of net investments in foreign operations
Exchange differences	-	-	-	Exchange differences
Non-current assets held for sale	-	-	-	Non-current assets held for sale
		-	-	Rest of valuation adjustments
TOTAL EQUITY	**1,601,509**	**-**	**1,601,509**	**TOTAL EQUITY**
TOTAL LIABILITIES AND EQUITY	**23,897,897**	**-**	**23,897,897**	**TOTAL LIABILITIES AND EQUITY**

Memorandum Accounts

Memorandum Item (Memorandum Accounts) according to the statements drawn upprepared in accordance with Bank of Spain Circular 4/2004	Thousands of euros 31/12/2007	Thousands of euros Reclassification	Thousands of euros 31/12/2007	Memorandum Item (Memorandum Accounts) according to the statements drawn upprepared in accordance with Bank of Spain Circular 6/2008
Contingent exposures	**883,886**	**-**	**883,886**	**Contingent exposures**
Financial guarantees	830,857	-		
Assets earmarked for third-party obligations	-	-		
Other contingent exposures	53,029	-		
Contingent commitments	**3,625,700**	**-**	**3,625,700**	**Contingent commitments**
Drawable by third parties	3,529,319	-		
Other commitments	96,381	-		
TOTAL MEMORANDUM ACCOUNTS	**4,509,586**	**-**	**4,509,586**	**TOTAL MEMORANDUM ACCOUNTS**

The main differences between the balance sheet included in the annual accounts at 31 December 2007 and the balance sheet model presented in the accompanying annual accounts in accordance with the modifications to Bank of Spain Circular 4/2004 by Bank of Spain Circular 6/2008 which affect the Entity, irrespective of the eliminations and incorporations of different headings and/or breakdowns, as well as the renaming of certain balance sheet items, are as follows:

- The heading “Other financial assets” is removed; the different items that comprised it are taken to the headings “Deposits from credit institutions” and “Loans and advance to other debtors” in the “Loans and receivables” asset caption of the balance sheet, taking into account the institutional sector to which each of them belongs.

- The “Prepayments and accrued income” captions under the assets and liabilities sections of the balance sheet are removed and placed under the headings “Other assets” and “Other liabilities”, respectively, with the new headings “Rest of assets” and “Rest of liabilities”.

- Non-financial guarantees are differentiated from financial guarantees and are now treated as insurance contracts, with the current value of their commissions classified under the heading “Rest of assets” and their balances pending accrual, under the heading “Rest of liabilities”.

- Embedded derivatives, together with their main hybrid contract, were recorded under the “Deposits from other creditors” heading. These are now recorded under the “Hedging derivatives” caption.

- The “Welfare fund” heading is presented separately as a liabilities caption of the balance sheet. This item was previously recorded under the “Other liabilities” caption.

- The caption “Capital having the nature of a financial liability” is now referred to as “Capital refundable on demand”.

- The heading “Retained earnings” which was part of the “Reserves” section of Equity is eliminated.

Income Statement

Income Statement Structure according to the statements prepared in accordance with Bank of Spain Circular 4/2004	Thousands of euros 31/12/2007	Reclassification	31/12/2007	Income Statement Structure according to the statements prepared in accordance with Bank of Spain Circular 6/2008
Interest and similar income	1,035,750	-	1,035,750	Interest and similar income
Interest expense and similar charges	(592,554)	-	(596,539)	Interest expense and similar charges
Remuneration of capital refundable on demand	(4,015)	-	(4,015)	Remuneration of capital refundable on demand
Other	(592,539)	-		
Return on equity instruments	5,400	-		
Investments in associates	196	(196)		
Investments in jointly-controlled entities	-	-		
Investments in group entities	-	-		
Other equity instruments	5,204	(5,204)		
A) NET INTEREST INCOME	444,596	(5,400)	439,196	A) TRADING MARGIN
		5,400	5,400	Return on equity instruments
Fee and commission income	99,004	-	99,004	Fee and commission income
Fee and commission expense	(10,139)	-	(10,139)	Fee and commission expense
Gains or losses on financial assets and liabilities (net)	5,520	-	5,520	Gains or losses on financial assets and liabilities (net)
Financial assets held for trading	(1,067)	-	(1,067)	Financial assets held for trading
Other financial instruments at fair value through profit or loss	-	-	-	Other financial instruments at fair value through profit or loss
Available-for-sale financial assets	3,435	-	3,435	Financial instruments not at fair value through profit and loss
Loans and receivables	-	-		
Other	3,152	-	3,152	Other
Exchange differences (net)	1,187	-	1,187	Exchange differences (net)
		30,309	30,309	Other operating income
		(10,946)	(10,946)	Other operating expenses
B) GROSS INCOME	540,168	24,763	559,531	B) GROSS INCOME
Other operating income	29,668	(29,668)		
			(257,636)	Administrative expenses
Personnel expenses	(174,949)	-	(174,949)	Personnel expenses
Other administrative expenses	(82,687)	-	(82,687)	Other administrative expenses
Depreciation and amortisation	(32,984)	-	(32,984)	Depreciation and amortisation
Tangible assets	(27,699)	-		
Intangible assets	(5,285)	-		
Other operating expenses	(8,350)	8,350		
		(28,278)	(28,278)	Provisioning expenses
			(109,825)	Impairment losses on financial assets (net)
		(109,382)	(109,382)	Loans and receivables
		(443)	(443)	Other financial instruments not at fair value through profit and loss
C) NET OPERATING INCOME	270,866	(140,058)	130,808	C) NET OPERATING INCOME
Impairment losses on assets (net)	(115,742)	-	(6,202)	Impairment losses on assets (net)
Available-for-sale financial assets	(443)	443		
Loans and receivables	(109,382)	109,382		
Held-to-maturity investments	-	-		
Non-current assets held for sale	285	(285)		
Investments	(6,202)	6,202		
Tangible assets	-	-		
Goodwill	-	-	-	Goodwill and other intangible assets
Other intangible assets	-	-		
Rest of assets	-	(6,202)	(6,202)	Rest of assets
Provisioning expenses	(28,244)	28,244		
		15,409	15,409	Gains/(Losses) on disposal of non-current assets held for sale
		-	-	Negative difference in business combinations
		2,447	2,447	Gains/(Losses) on non-current assets held for sale not classified as discontinued operations
Other profits	18,379			
Profits from the sale of tangible assets	7,429	(7,429)		
Profits from the sale of investments	10,309	(10,309)		
Other items	641	(641)		
Other losses	(2,797)			
Losses from the sale of tangible assets	(131)	131		
Losses from the sale of investments	(36)	36		
Other items	(2,630)	2,630		
D) PROFIT OR LOSS BEFORE TAX	142,462	-	142,462	D) PROFIT OR LOSS BEFORE TAX
Income tax	(11,030)	-	(11,030)	Income tax
Mandatory transfer to Education and Development Fund	(10,832)	-	(10,832)	Assigned to the Education and Development Fund
E) PROFIT OR LOSS FROM ORDINARY ACTIVITIES	120,600	-	120,600	E) PROFIT OR LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS
Profit or loss from discontinued operations (net)	-	-	-	Profit or loss from discontinued operations (net)
F) PROFIT OR LOSS FOR THE PERIOD	120,600	-	120,600	F) PROFIT OR LOSS FOR THE PERIOD

The main differences between the income statement included in the annual accounts at 31 December 2007 and the income statement model presented in the accompanying annual accounts in accordance with the modifications to Bank of Spain Circular 4/2004 by Bank of Spain Circular 6/2008 that affect the Entity, irrespective of the eliminations and incorporations of different captions and/or breakdowns, as well as the renaming of certain income statement items, are as follows:

- The "Trading margin" caption is now referred to as "Net interest income" and comprises the difference between the income related to "Interest and similar income", the expenses related to "Interest expense and similar charges" and the "Remuneration of capital refundable on demand".

- "Ordinary income" is now referred to as "Gross income" and consists of the sum of the "Net Interest Income", Return on equity instruments, Fee and commission income, Fee and commission expense, Gains or losses on financial assets and liabilities (net), Exchange differences (net), Other operating income and Other operating expenses.

- "Operating income" is now called "Net operating income" and consists of "Gross income" plus Administrative expenses, Depreciation and amortisation, Provisioning expenses and Impairment losses on financial assets.

- Under the captions "Other profits" and "Other losses", the amounts corresponding to "Other gains or losses" are now under the captions "Other operating income" and "Other operating expenses".

- The caption "Impairment losses on assets (net)" is divided into "Impairment losses on financial assets", which is included under "Net Operating Income", and "Impairment losses on rest of assets", which is reflected under "Profit or loss before tax".

The Entity's annual accounts for 2007 were approved by the Members at the General Assembly held on 3 April 2008.

These 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 of 22 December and its subsequent modifications, require the Entity's Governing Board to make judgments and estimates based on assumptions that affect the application of the accounting criteria and principles as well as the amounts of assets, liabilities, income, expenses and commitments recorded therein. The most significant estimates used in the preparation of these annual accounts are as follows:

- Impairment losses on financial assets (Notes 3.1.a, 3.1.c, 3.3, 7.4.c and 7.5.c)

- Assumptions used in the actuarial calculations made to measure post-employment benefit liabilities and commitments (Note 3.21)

- Impairment losses and useful lives of tangible and intangible assets (Notes 3.9, 3.10, 12 and 13)

- Fair value of certain financial assets not quoted on official secondary markets (Notes 3.1 and 6.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 Limitada included in these annual accounts (Notes 3.9 and 3.24)

- Losses on future commitments deriving from contingent exposures (Notes 3.3 and 3.13)

- The reversal period for timing differences (Notes 3.19 and 23)

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, although modified, where applicable, for the 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).

Given 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 position and results. Therefore, no specific breakdowns have been included in this annual report regarding information on environmental matters.

2.8. Agency contracts

The Entity does not have, nor has it had at any time during 2008 and 2007, 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 comprised of 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 this consolidation on the accompanying balance sheets at 31 December 2008 and 2007, the income statements, the statements of changes in equity, the statements of recognised income and expenses and the cash flow statements for 2008 and 2007, results in the following differences:

	Thousands of euros			
	2008		2007	
	Individual	Consolidated	Individual	Consolidated
Assets	25,153,840	25,178,828	23,897,897	23,910,193
Equity	1,826,083	1,843,102	1,601,509	1,619,203
Profit or loss for the year	126,585	132,727	120,600	125,890
Recognised income and expenses	110,701	113,984	127,208	127,068
Net increase (decrease) in cash or cash equivalents	193,353	193,360	3,170	3,173

3. Significant accounting criteria and policies

3.1. Financial instruments

A financial instrument is a contract that gives rise to a financial asset in one entity and, simultaneously, to a financial liability or equity instrument in another entity. The financial instruments issued by the Entity, and their components, are classified as financial assets or financial 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 under potentially favourable conditions.

A financial liability is any type of commitment that signifies a contractual obligation to pay cash or another financial asset to a third party, or to exchange financial assets or liabilities with a third party under 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 which 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. 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 embedded 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 on 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.

The financial assets and liabilities with which the Entity normally operates include:

- Financing granted to and received from other credit institutions and customers, irrespective of the legal form of the arrangement.

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

- Derivatives, with the aim of obtaining a result (profit or loss) which makes it possible, if certain conditions are met, to fully or partially eliminate the financial risks associated with the Entity's balances and transactions.

a) Financial assets

Financial assets include, inter alia, cash balances held, deposits with central banks and credit institutions, loans and advances to other debtors, debt securities, equity instruments acquired, except those corresponding to subsidiaries, jointly-owned entities or associates, as well as 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 two categories:

  > "Financial assets held for trading": these are financial assets which originate or are acquired for the purposes of realisation in the short term, or which form part of a portfolio of identified and jointly-managed financial instruments for which there is evidence of recent activity aimed at generating short-term profits. Derivative instruments that do not fulfil the definition of financial guarantee contract and which have not been designated as hedge instruments are also included in this portfolio, as are those segregated from hybrid financial instruments.

  > "Other financial assets at fair value through profit or loss": these are financial assets designated as such in their initial recognition, whose fair value can be reliably estimated. This designation can be made for: (i) hybrid financial assets that cannot reliably and separately measure the embedded derivatives, their separation being compulsory; (ii) hybrid financial assets as a whole, designated from their initial registration, unless the embedded derivatives do not significantly alter the cash flows that, otherwise, would have generated the instrument or which, upon first consideration of the hybrid instrument, it is evident that the separation of the embedded derivatives is prohibited; (iii) financial assets from which the most relevant information is obtained because this information eliminates or significantly reduces inconsistencies in the registration or valuation (also called accounting asymmetries) that arise due to the valuation of assets or liabilities, or to the recognition of profits or losses, with different criteria; (iv) financial assets from which highly relevant information is obtained due to the fact that there is a group of financial assets, or of financial assets and liabilities that are managed and whose yield is assessed based on its fair value, in accordance with a documented risk or investment management strategy, and information on this group, also based on fair value, is provided to key management.

- "Held-to-maturity investments": this portfolio includes debt securities that are traded on an active market, with fixed terms 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 as well as the demonstrated financial capacity to hold them 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, as well as 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 included in other categories, and equity instruments of entities that are not subsidiaries of, associated to, or jointly held by the Entity and that have not been included in other categories.

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 duly 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 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 at which the financial instrument was initially measured, 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 cannot 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 risks associated with the instrument.

The fair value of standard financial derivatives included in the trading portfolios is their daily price and if, for exceptional reasons, their price on a given date cannot be established, valuation methods similar to those used to measure OTC (Over-The-Counter) derivatives shall be used. The fair value of OTC derivatives is equal to the sum of the future cash flows arising from the instrument, 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 for all items 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 this transfer their risks and benefits are substantially transferred or, in cases where the substantial transfer or 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 instruments, 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 flows, 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 estimate. With regard to the estimation 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 contract conditions 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 its fair value, less any impairment loss previously recorded in the income statement, is used. When there is objective evidence that a drop in the fair value of an asset classified as available-for-sale is due to its impairment, the total latent loss registered as "Valuation adjustments" under "Equity" is immediately taken to the income statement.

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

Interest accruals are discontinued on all debt securities that the Entity classifies as impaired, as well as those that collectively have impairment losses for having 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 occurs 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 their acquisition cost and their 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 price), 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, their 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 calculated as the positive difference between its carrying value and the current value of expected future cash flow, adjusted to the market profitability 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 unrealised gains that exist 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, deposits from other creditors, negotiable debt securities, trading and hedging derivatives, 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 two categories:

  > "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 a portfolio of financial instruments identified and jointly managed, for which there is evidence of recent activity aimed at generating short-term gains, derivative instruments that do not fulfil the definition of financial guarantee contract and which have not been designated as hedge instruments, including those segregated from hybrid financial instruments and liabilities arising from the outright sale of financial assets acquired temporarily or received on loan. The mere fact that a financial liability is used to finance trading assets does not warrant its inclusion in this category.

  > "Other financial liabilities at fair value through profit or loss": these are financial liabilities designated as such in their initial recognition, whose fair value can be reliably estimated. This designation can be made for: (i) hybrid financial liabilities that cannot reliably and separately measure the embedded derivatives, their separation being compulsory; (ii) hybrid financial liabilities as a whole, designated from their initial recognition, unless the embedded derivatives do not significantly alter the cash flows that, otherwise, would have generated the instrument or which, upon first consideration of the hybrid instrument, it is evident that the separation of the embedded derivatives is prohibited; (iii) financial liabilities from which the most relevant information is obtained because this information eliminates or significantly reduces inconsistencies in the recognition or valuation (also called accounting asymmetries) that arise due to the valuation of assets or liabilities, or to the recognition of profits or losses, with different criteria; (iv) financial liabilities from which highly relevant information is obtained due to the fact that there is a group of financial liabilities, or of financial assets and liabilities that are managed and whose yield is assessed based on its fair value, in accordance with a documented risk or investment management strategy, and information on this group, also based on fair value, is provided to key management.

- "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 in 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 this entity 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 hedge instruments that follow the criteria and standards set forth in Note 3.4.

Financial liability write-offs

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

An exchange of debt securities between the Entity and the respective borrower, provided the instruments have significantly different conditions, shall be booked as a cancellation of the original financial liability and, consequently, recognised as a new financial liability. Similarly, a significant modification in the current conditions of a financial liability or of a portion thereof shall be booked as a cancellation of the original financial liability and, consequently, recognised as a new financial liability.

The conditions shall be significantly different if the current value of the cash flows deducted under the new conditions, including any fees and commissions paid net of any fees and commissions received, and using the original effective interest rate to carry out the deduction, differs by at least 10% of the current value deducted from the cash flows that still remain from the original financial liability. If an exchange of debt securities or a modification in the conditions is recorded as a settlement, the costs or commissions incurred shall be recognised as part of the profit or loss on the settlement. If the aforementioned exchange or modification is not recorded as a settlement, the costs and commissions will adjust the carrying value of the liability and will be amortised throughout the remaining life of the modified liability.

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 in accordance with the following criteria:

- For financial instruments included in the "At fair value through profit or loss" category, 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 according to their nature, and those that are recorded as gains or losses on financial operations. 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 the equity of the Entity until the financial asset is written off.

The objective evidence of impairment will be determined individually for all 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 and 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 together include, inter alia, the type of security, the debtor's sector of activity, the geographic area of the activity, the type of guarantee, the ageing of overdue amounts and any other factor that is relevant to the valuation of future cash flows.

- The future cash flows of each group of debt securities is calculated based on the historical loss experience of the Entity for instruments with credit risk characteristics similar 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 flows.

d) Reclassification between financial instrument portfolios

Reclassifications between financial instrument portfolios are carried out, where applicable, exclusively in accordance with the following assumptions:

i. Except for the exceptional circumstances indicated in section iv) below, financial instruments may not be reclassified into or out of the ‘measured at fair value through profit or loss’ category once they have been purchased, issued or assumed.

ii. If a financial asset, as a result of a change in intention or financial capacity, ceases to be classified as a "held-to-maturity investment", it will be reclassified to the "available-for-sale financial assets". In this case, it will receive the same treatment as all the financial instruments classified as "held-to-maturity investments", unless this reclassification is amongst the cases allowed by relevant regulations (sales very close to maturity, or once almost all the principal of the financial asset or sales attributable to an isolated and non-recurring event that could not have been reasonably foreseen by the Entity have been collected).

During 2008, no sales were made, that are prohibited by relevant regulations applicable to financial assets classified as "held-to-maturity investments".

iii. If a reliable measure is available for a financial asset or liability for which no measure was previously available, and this asset or liability must be measured at its fair value, as in the case of unquoted equity instruments and derivatives that have these instruments as underlying assets, the abovementioned financial assets or liabilities will be measured at their fair value and the difference with their carrying value shall be accounted for in accordance with their type of portfolio.

No reclassifications such as those described in the previous paragraph have been carried out during 2008.

iv. If, as a result of a change in the Entity's intention or financial capacity, or, at the end of the two-year penalty period set forth by relevant regulations for the sale of financial assets classified as "held-to-maturity investments", certain financial assets (debt securities) included in the "available-for-sale financial assets" category could be reclassified as "held-to-maturity investments". In this case, the fair value of these financial instruments on the date of transfer becomes its new amortised cost. The difference between this amount and its redemption value is taken to the consolidated income statement, applying the effective interest rate method over the remaining term of the instrument.

No reclassifications such as those described in the previous paragraph have been carried out during 2008.

v. As of 2008, a financial asset that is not a derivative financial instrument may be classified outside the trading portfolio if it is no longer held for the purpose of sale or repurchase in the short term, provided that one of the following circumstances arises:

- In rare and exceptional circumstances, unless it concerns assets subject to having been included in the "loans and receivables" category. For these purposes, rare and exceptional circumstances are those in which a particular event occurs that is unusual and the likelihood of it repeating in the foreseeable future is highly improbable.

- When the entity has the intention and financial capacity of holding the financial asset in the foreseeable future or until its maturity, provided that it fulfilled the definition of a loan or receivable in its initial recognition.

In these situations, the reclassification of the asset is carried out at the fair value on the date of reclassification, without reverting the results, and considering this value to be its cost or amortised cost, as appropriate. Under no circumstances may these financial assets be reclassified again within the trading portfolio.

No reclassifications of financial assets included in the trading portfolio have been carried out during 2008.

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 there are legal prohibitions or prohibitions in the Articles of Association preventing its redemption. If the prohibition on redemption is partial, the redeemable amount above the prohibition 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 recorded as financial liabilities directly against equity, and otherwise directly against equity, as part of the distribution of profits of the cooperative.

At the General Assembly of Members held on 28 March 2006, the Entity's Articles of Association were modified to adapt them to the new regulatory framework defined in Bank of Spain Circular 4/2004, and its subsequent modifications, according to which returns on capital contributions 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 Meeting, the rate of capital investment yields was modified. This figure is set by the General Meeting of Partners 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 returns on capital contributions which exceed 85% of the previous capital balance on the last day of the month immediately preceding do not require the approval of the Governing Board, the aforementioned excess must be taken to liabilities on the balance sheet under "Capital refundable on demand" and interest accrued must be accounted for as financial expenses in the income statement caption "Remuneration of capital refundable on demand".

In any event, Bank of Spain Circular 3/2008 of 22 May on the determination and control of capital adequacy for credit institutions, stipulates 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 established by the Basel Committee on Banking Supervision).

3.3. Credit risk hedging and calculation method

Debt security 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 insolvency risk and country risk to which they may be exposed.

- Customer insolvency risk

  Debt securities not measured at fair value through profit or loss, contingent exposures and contingent commitments are classified according to the customer insolvency risk 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 flows.

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

> Specific hedging determined individually for instruments classified as doubtful, taking into account the age of the outstanding receivables, guarantees extended, as well as the financial situation of the customer and, where relevant, of the guarantors. This estimate is carried out in accordance with the hedging minimums by default schedule set forth in Bank of Spain Circular 4/2004 in Appendix IX and its subsequent modifications, 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 profit or loss, as well as 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 in this regard, it has used the method set forth in Appendix IX of Bank of Spain Circular 4/2004 and its subsequent modifications, which contain the parameters established by the Bank of Spain. These parameters, based on the Bank's experience in addition to its information regarding the sector, determine the method and amount to be used for hedging 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 carried out in the period. The latter is understood to be the provision for the specific hedging of customer insolvencies 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 must not exceed 125% of the amount obtained by summing the product obtained from multiplying the amount of each type of risk by its respective parameter α.

- 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 their credit liability caused by country risk. Country risk is the risk undertaken by customers resident in a certain country due to circumstances other than normal trade risk.

3.4. Hedging

The Entity uses financial derivatives traded on official markets or traded bilaterally over-the-counter (OTC), using the following 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 the 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 item or position throughout the entire forecast hedging period. This implies that, from the moment of contracting, 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 item or position (retrospective effectiveness). This evidence is shown when the results of the hedge have fluctuated within the variation range of eighty and one hundred and twenty five per cent with regard to the result of the hedged item.

The Entity verifies the prospective and retrospective effectiveness of its hedges by performing the corresponding effectiveness tests applied using the regression method. The regression method is a statistical technique for the analysis of the relationship between variables. Simple linear regression is used to demonstrate, based on historical data, that a derivative instrument is (retrospective evaluation) or is likely to be (prospective consideration) highly effective for offsetting the fluctuation in the fair value of the cash flow of the hedged item.

- 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 form is consistent 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, which occurs 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 covered risk, 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 "financial assets available-for-sale" 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 this 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 maturity of the hedged item.

- Cash flow hedges: the gain or loss that results from measuring the hedged instrument at fair value (for the effective portion of the hedge) is registered temporarily in "Valuation adjustments" under 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 registered under "Valuation adjustments" in Equity remain there until they are booked in the income statement for the periods that the items designated as hedges affect this 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 that is temporarily registered 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 under this 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.

- Hedges of net investments in foreign operations: 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 instrument's gain or loss is taken directly to the income statement.

Amounts of gains and 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 the following underlyings:

- Interest rate: fundamentally of certain liabilities linked to a fixed interest rate.

- Market: for certain structured liabilities whose payment is linked to the evolution of stock market indexes.

The instruments used to carry out the aforementioned hedges are mainly interest rate swaps, equity swaps and index options (Note 8). Note 6 details the policies established by the Entity for managing the risks to which it is exposed.

3.5. Financial asset transfers and write-offs

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 only under the following circumstances:

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

- When all contractual rights to receive generated cash flows 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 following their assessment in accordance with the terms set out below.

The term 'transferred financial asset' is used to refer to either all or part of a 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 is 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 absolute sales, sales with a repurchase option at fair value on the date of repurchase, sales of financial assets with call option acquired or put option issued deep out-of-the-money, asset securitisations in which the grantor does not retain subordinated financing nor grants any type of credit enhancement 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, security lending contracts in 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 transferred financial 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 with the transferred financial instrument are neither transferred nor substantially retained, such as in the case of sales of financial assets with call option acquired or put option issued that are not deep in-the-money or out-of-the-money, the asset securitisations in which the ceding party assumes subordinated financing or other type of credit enhancement for part of the transferred asset, a 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 its exposure to changes in value that it could experience and a financial liability associated with the transferred financial asset is recorded. The net amount of the transferred asset 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 retained rights and obligations.

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 reassigning them again.

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 regulations, will not be registered unless they should be recorded as the result of a subsequent transaction or event. The amounts devised for the hedging of contributions to securitisation funds, subordinated securities, financing and credit commitments of any type that, in the settlement of these funds, are placed, for the purposes of priority-based granting of loans, after non-subordinated securities, 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 by which the Entity is obligated to pay specific amounts on behalf of a third party in the event that they do not pay, irrespective of their legal form which may be, inter alia: a bond, financial guarantee or irrevocable documentary credit issued or confirmed by the Entity; insurance contracts; as well as credit derivatives for which the entity acts as protection seller.

Financial guarantees are classified according to the customer's or the operation's insolvency risk. Where appropriate, the need to set up provisions for them 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 under caption “Financial liabilities at amortised cost - Other financial liabilities” in the liabilities section of the balance sheet at their fair value plus the transaction costs incurred from its issuance (Note 7.6.f) and simultaneously under the caption “Loans and receivables - Loans and advances to other debtors” (Note 7.5.b) 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 term and risk.

Subsequent to issuance, the value of the contracts recorded in "Loans and receivables - Loans and advances to other debtors" is restated, reflecting the differences as financial income and the fair value of the guarantees registered under "Financial liabilities at amortised cost - Other financial liabilities" in the liabilities section will be stated 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, the commissions pending accrual, that are recorded under the liabilities caption "Financial liabilities at amortised cost - Other financial liabilities" 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 the individual items included in a disposal group or comprising a business unit that is to be disposed of (discontinued operations) that are not part of the operating activity, the sale of which is highly probable under 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 take place through the price obtained upon their disposal, rather than from continued use.

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

On the other hand, 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 their 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 this excess, with a balancing entry under "Gains/Losses on disposal of non-current assets held for sale not classified as discontinued operations" 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 under "Gains/Losses on disposal of non-current assets held for sale not classified as discontinued operations" in the income statement.

The results generated during the year by those components of the Entity considered to be discontinued operations, are registered under "Profit or loss from discontinued operations (net)" in the income statement, whether the Entity's component is written off or if it remains on the balance sheet at year end.

3.8. Investments in subsidiaries, jointly-controlled entities and associates

Details of the Entity's investments, as well as their most relevant information, are included in Note 11 and in Appendix I. The Entity classifies its investments in subsidiaries, jointly-controlled entities or associates 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 the 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 exclusively appointed with its votes the majority of the members of the governing board.

- Jointly-controlled entities: 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 together with the rest of the group's 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 invested entity; involvement in the policy-making process, including those related to dividends and other distributions; existence of significant transactions between the Entity and the invested entity, exchange of senior management staff and the provision of essential technical information.

Investments in subsidiaries, jointly-controlled entities and associates are recorded at cost and 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 the necessary sale costs and value-in-use) with its carrying value. Impairment losses, as well as 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 acquired under a finance lease. 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 the first-time application of this circular, the acquisition cost of freely available tangible assets for own use includes the measurement of these elements on 1 January 2004 at fair value, which is the cost attributed thereto at that date. This fair value at 1 January 2004 has been calculated based on valuations carried out by independent experts. Moreover, tangible assets arising from business combinations are stated at fair value at the date of the mentioned combination, this being their new attributed cost (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 delivered in exchange for their awarding.

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

	Years of useful life	Annual depreciation rate
Property	50	2%
Furniture	10	10%
Fixtures	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 through the respective correction of the depreciation charge in the income statement of future financial years in line with the new useful lives.

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 financing 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, except for tangible assets which need a period of time longer than one year in order to be usable. For the latter, the financial expenses that have accrued prior to its operating condition and which have been drawn by the supplier or which correspond to external financing directly attributable to the acquisition will be included in the acquisition price or production cost.

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 a finance lease, or when they remain permanently withdrawn from use and no future financial 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 their 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 the tangible assets for own use referred to in this Note.

Investment properties under tangible assets correspond to the net values of the 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, in addition to satisfying the aforementioned definition, the Entity considers the receipt of financial benefits derived from this item to be probable and the cost thereof can be reliably estimated.

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.

Intangible assets can 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 for a definite useful life. Amortisation is not carried out on intangible assets with an indefinite useful life, however, at each year end, the Entity reviews 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 2008 and 2007, the Entity did not have any intangible assets with an indefinite useful life. Intangible assets with a definite life are primarily computer applications and government concessions, whose durations have been estimated at 3 and 20 years, respectively.

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 the impairment losses of these assets and, where appropriate, the recoveries 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 funds 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" caption of 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, which 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 in such a way 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 estimation of their respective useful lives, and the registering of impairment losses, are 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 to euros:

- Monetary assets and liabilities have been converted to euros using the average, official spot exchange rates published by the European Central 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 item.

At year end 2008, the Entity's total assets expressed in foreign currency amounted to Euros 73,238 thousand (Euros 79,881 thousand in 2007) and total liabilities expressed in foreign currency came to Euros 65,818 thousand (Euros 74,733 thousand in 2007) (Note 6.b.3).

3.13. Other provisions and contingent liabilities

The Entity distinguishes between provisions and contingent liabilities. 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 which are indeterminate with regard to their 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 financial benefits. These 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. These 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 liabilities are possible obligations of the Entity, arising as a result of past events, whose existence depends upon the occurrence of one or more future events which are out of the Entity's control. Contingent liabilities include current obligations whose cancellation is unlikely and that arise as a result of a reduction in resources that provide financial benefits or whose amount, in extremely rare cases, cannot be quantified with sufficient reliability.

Provisions and contingent liabilities 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 liabilities are not booked in the annual accounts but rather their existence is disclosed, unless the possibility of an outflow of resources which includes financial 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 these obligations cease to exist or decrease.

At the close of 2008 and 2007, various legal proceedings and claims filed against the Entity in relation to the regular carrying out of its activities 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 the balance, if applicable, 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 financial sanctions imposed on the members, associated with this fund are recorded as income from the cooperatives and the same amount is simultaneously appropriated to the fund.

3.15. Asset swaps

Tangible 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 handled in accordance with 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 governing the determination and control of the capital adequacy of credit institutions, both individually and as a consolidated group, and the manner in which the eligible capital base is calculated, is governed by Bank of Spain Circular 3/2008 dated 22 May, passed by Law 36/2007 of 16 November, which amends Law 13/1985 of 25 May governing investment ratios, eligible capital and information on financial intermediaries.

Moreover, Section 13 of Bank of Spain Circular 3/2008, Regulation 124 sets forth the information obligations arising as a result of Law 5/2005 dated 22 April applicable to Mixed Groups.

On 31 December 2008 and 2007, the eligible capital base of the Entity and the Mixed Group exceeded that which is required by the aforementioned legislation (Note 19).

3.17. Commissions

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

- Financial commissions: this type of commission, which is an integral part of the yield or effective cost of a financial operation and which is charged or paid in advance, is generally 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, if related to a service that is carried out in one action, upon performance of this action.

3.18. Deposit Guarantee Fund

In accordance with Spanish Royal Decree 2606/1996 of 20 December, regarding Credit Institution 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 balances on account plus nominative certificates of deposit) and by 5 per cent of the quoted value on the last business day of the year, in the corresponding secondary market, of the guaranteed securities (negotiable securities and financial instruments that have been entrusted to the credit institution 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 2008 and 2007, 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 contributed for 2008 and 2007, Euros 9,907 thousand and Euros 8,227 thousand, respectively, expensed under "Other operating expenses" in the accompanying income statements (Note 24).

The amount guaranteed by the Credit Institution Deposit Guarantee Funds is set at Euros 100 thousand per holder and institution, in accordance with Spanish Royal Decree-Law 1642/2008 of 10 October, which establishes the guaranteed amounts referred to in Article 7.1 of Royal Decree 2606/1996 of 20 December, and Article 6.1 of Royal Decree 948/2001 of 3 August on investor compensation methods.

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 respective 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, if any, is included in the corresponding deferred tax asset and liability items recorded 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 carrying values of the assets and liabilities 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 2008 and 2007 was the reduced rate of 25% on cooperative profits and the general rate on non-cooperative profits was 30.0% and 32.5%, 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 generally recorded in the income statement 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 these transactions or services.
- Those corresponding to a transaction or service that is carried out in 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 generally 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 benefits

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 benefit plans for which the Entity commits to paying an amount when the contingency takes place. This classification is carried out according to the conditions of these obligations, taking into account all the commitments assumed both within and outside of 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 "Provisions for pensions 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 implied 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 except when the assets that remain in the plan are enough to cover all the commitments held with the employees, or to repay the Entity the benefits it has settled.

> When the assets are held by an entity (or fund) of long-term post-employment benefits for the employees, such as a pension fund, they cannot be non-transferrable financial instruments issued by the Entity.

The figure obtained according to the above is booked as "Provisions for pensions and similar obligations" under the "Provisions" caption in the accompanying balance sheets if it is positive, or under "Rest of assets" if negative (Notes 15 and 16).

In the event that the figure calculated in this manner is negative, and the absolute value of this 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 benefit obligations during the period as a result of the passage of time, 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 to which it is subject, as "Interest and similar income".

> Actuarial gains and losses understood to be those resulting from differences between previous actuarial assumptions and reality, and those which arise from changes in the actuarial assumptions used, registered during the year under "Provisioning expenses (net)", except when the Entity opts to register them under Equity.

> The cost of past services corresponding to the year under "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 regard to the assets to be included in the balance sheet as stated in the previous section, except when the Entity opts to recognise the actuarial gains and losses under Equity.

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 assumed 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 with the Entity and other similar concepts, if any, are booked in accordance with the requirements for post-employment plans of defined benefits, 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 "Provisions for 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 prior to the standard retirement date, or to paying compensation for termination of employment in the event that an offer is 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 a pension plan, governed by the Regulation of 23 December 1993, adapted to Law 8/1987 regarding the Regulation of Pension Plans and Funds, with Fondo Cajamar VI, Fondo de Pensiones. Cajamar Vida, S.A. de Seguros y Reaseguros is the managing entity and Cajamar is the depository entity of the fund. 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 benefit commitments stipulated in the Collective Labour Agreement applicable to the employees from Caja Rural del Duero, Sociedad Cooperativa de Crédito Limitada.

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 contained in Sub-plan B of the Pension Plan, the Entity has undertaken an annual contribution of the amount corresponding to the higher of the following: 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 amount on the 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 hired 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 whose branch networks were partially taken over, who had this right at their original entity.

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

- Compensation in the event of death or total disability (Euros 21.19 thousand), an occupational accident (Euros 43.22 thousand) or for declaration of major disability (Euros 71.91 thousand), for all Entity personnel.

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

The Entity has acquired, with some of its employees, commitments derived from early retirement agreements. It has set up funds to cover these acquired commitments with early-retired personnel, both with regard to salaries and other social security contributions, from the moment of their early retirement until the date of their regular retirement and the coverage of remuneration created after the date of effective retirement is supplemented.

At 31 December 2008 and 2007, the Entity had no commitments for terminations of employment other than those included in the Plan.

At 31 December 2008 and 2007, actuarial studies were carried out regarding the cover of the main commitments for post-employment remuneration, using the projected unit credit method of calculation. The main assumptions used in the actuarial studies, both for retired and early-retired personnel, are the following:

	2008		2007	
	Active	Early retired	Active	Early retired
Mortality tables	PERM/F 2000	PERM/F 2000	PERM/F 2000	PERM/F 2000
Disability tables (only for risk benefit)	n/a	n/a	n/a	n/a
Retirement Age				
Pension Plan	65	58 +	65	58 +
Collective Labour Agreement for banks	Earliest age	58 +	Earliest age	58 +
Annual effective technical interest rate:				
Pension Plan	4.00%	4.00%	4.00%	4.00%
Collective Labour Agreement for banks	4.00%	4.00%	4.00%	4.00%
Yield on assets:				
Pension Plan	4.00%	4.00%	4.00%	4.00%
Collective Labour Agreement for banks	4.00%	4.00%	4.00%	4.00%
Salary evolution (including drifts)	3.50%	3.50%	3.50%	3.50%
Increase in consumer prices (CPI)	2.00%	-	2.00%	-
Increases in pensions	75% salary increment	-	75% salary increment	-
Maximum Social Security Pension (in thousands of euros)	33	33	31	31
Annual revaluation of the maximum monthly Social Security pension	2.00%	-	2.00%	-
Annual increases in the Social Security contribution bases	According to CPI	-	According to CPI	-

The expected yields on the Plan's assets are as follows:

	Expected income from assets	
	2008	2007
Pension Plan	4.00%	4.00%
Banks	4.00%	4.00%
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 non-Group-related 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 at 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 under "Fee and commission income" in the income statement.

3.23. Cash flow statement

The following terms, as detailed below, are used in the cash flow statement:

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

- Operating activities: activities typical of credit institutions, as well as other activities that cannot be classified as investments or financing and the interests paid by any financing received.

- Investment activities: those related to the 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 the equity and the liabilities that are not part of the operating activities.

- Cash equivalent: short-term investments that are highly liquid and have a low risk of value alterations, such as balances with central banks, short-term Treasury bills and notes, and current account balances with other credit institutions.

3.24. Business combination

In accordance with Regulation 43 of Bank of Spain Circular 4/2004 of 22 December, a business combination is the union of two or more independent economic entities or units into a sole entity or group of entities, which may come about as the result of the acquisition of:

- Equity instruments from another entity.
- The entire equity of another entity, such as in a merger.
- 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. This entity shall be the party that, at the acquisition date, acquires control of another entity or, in the event of doubt or difficulty in identifying the acquiring entity, the following factors, inter alia, shall be taken into consideration:

- The size of the participating entities, irrespective of their legal classification, measured by the fair value of their assets, liabilities and contingent liabilities; in this case, the acquiring entity shall be the entity that is largest 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 individuals in charge of managing the entity resulting from the combination, in which case the acquiring entity shall be the entity whose management team oversees the entity resulting from the combination.

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

- The acquiring entity shall incorporate the following 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 this 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, and its subsequent modifications.
- The cost shall be the sum of the fair value of the transferred assets, 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 in order to carry out the combination. Costs incurred in the contracting and issuance of financial liabilities and equity instruments are not included in this 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 as follows:
    - When positive, as goodwill under assets, and will under no circumstances be amortised. However, it will be subjected, on an annual basis, to the impairment analysis set forth in Regulation 30 of Bank of Spain Circular 4/2004 of 22 December.

> When negative, as an income entry in the income statement, under "Negative differences in business combinations", after newly verifying the fair values assigned to all the equity items 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 recognition as such in the initial recording, but subsequently do meet this criteria, shall be recorded under income in accordance with Regulation 42 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 Limitada

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

The aforementioned project set forth a merger operation in which Caja Rural del Duero, Sociedad Cooperativa de Crédito Limitada would be absorbed by Cajamar Caja Rural, Sociedad Cooperativa de Crédito. Once the required administrative authorisations were obtained, the notarial merger agreement was registered with the Commercial Registries of Almeria 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 result of the merger by absorption project, and given the winding up of the absorbed entity, the members of the latter who held contributions in the capital of Caja Rural del Duero, Sociedad Cooperativa de Crédito Limitada for a nominal value of 60.11 euros have obtained a capital contribution in Cajamar Caja Rural, Sociedad Cooperativa de Crédito equivalent to a nominal value of 61 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 Limitada 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 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 the provisions of Regulation 43 of Bank of Spain Circular 4/2004 of 22 December.

The adjustments of this valuation, the overall net effect of which totals a negligible amount, have mainly been made in the updating of the balances of loans and receivables, the revaluation of certain tangible assets and the updating of customer term deposits.

3.25. Inventories

This caption in the balance sheet includes the various assets of the financial instruments which the Entity:

- Holds for their sale during the ordinary course of its business,
- Is currently producing, building or developing for this purpose, or
- Plans to consume in the production process or in the rendering of services.

“Inventories” include land and other properties the Entity has for their sale as part of its property development activities.

Inventories are measured at the lowest of the following: their cost, which incorporates all the outlays made for their acquisition and subsequent transformation; the direct and indirect costs incurred to obtain their current condition and location; the financial costs directly attributable to them, provided they need a period of time longer than one year for their sale (taking into account the previously-mentioned criteria for the capitalisation of financial costs of tangible assets for own use); and their “realisable net value”. The realisable net value is understood to be the estimated price of their disposal during the ordinary course of business, less the estimated costs for finishing their production and the necessary costs for carrying out their sale.

Both the reductions as well as, if applicable, the subsequent recoveries in the realisable net value below their net book value are recorded in the income statement for the year in which they take place under the caption “Impairment losses on rest of assets (net) – Other assets” (Note 24).

The carrying value of sold inventories is written off and recorded as an expense under the caption "Other operating expenses” on the income statement (Note 24).

3.26. Insurance contracts

Insurance contracts are the sureties or guarantee agreements in which the Entity agrees to compensate a beneficiary in the event of non-compliance with a specific obligation other than a payment obligation on the part of a specific debtor of the beneficiary, such as the sureties issued to ensure participation in auctions and tenders or the successful completion of a project or operation and any other type of technical guarantees, including irrevocable and duly executed guarantee pledges and letters of guarantee, insofar as they can be required by law.

They are classified according to the insolvency risk of the customer or operation. Where appropriate, the need to set up provisions for them is considered by applying criteria similar to those described in Notes 3.1 and 3.3 for debt securities valued at amortised cost.

The Entity, as the provider of the guarantee, shall record it under “Rest of liabilities” in the individual balance sheet, at its fair value plus transaction costs; the fair value at the beginning shall be the premium received plus, where appropriate, the current value of the cash flows to be received (Note 15). A credit for the current value of the cash flows pending receipt shall be simultaneously recorded in the assets section under "Rest of assets” (Note 15).

Following the initial recording, the value of the commissions or premiums to be received by the sureties and guarantees recorded under “Rest of assets” shall be updated, recognising the differences in the income statement as financial income, while the value of the sureties and guarantees recorded in the liabilities section under “Rest of liabilities” that have not been classified as doubtful shall be taken to the income statement on a straight-line basis throughout the expected life of the guarantee as income from commissions received.

When a guarantee contract is classified as doubtful, it shall be reclassified under “Provisions for contingent exposures and commitments”, which shall be measured in accordance with caption C) of Regulation 37, applying the provisions of Appendix IX of Bank of Spain Circular 4/2004 of 22 December and its subsequent modifications.

4. Errors and changes in accounting estimates

During 2008 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 based on the best information available regarding the events analysed at 31 December 2008. However, it is possible that events may take place in the future that make the modification of these estimates necessary (significantly increased or decreased) in the forthcoming years. Should this be the case, the changes would be carried out in accordance with Standard 19 of Bank of Spain Circular 4/2004 of 22 December, prospectively recognising the effects of the change in estimate in the income statements for the corresponding years.

When an error is corrected in relation to one or more previous years, the following shall be stated together with the nature of the error:

- 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 earliest 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 2008 to be submitted by the Governing Board for approval by the General Assembly, together with that already approved for 2007, is as follows:

	Thousands of euros	
	2008	2007
Profit for the year prior to the mandatory transfer to the Education and Development Fund and after Income Tax	136,713	131,432
Retained earnings	-	6,609
Interest on capital contributions (Note 18)	(41,594)	(28,406)
Interest on capital contributions recorded as financial expenses (Notes 18 and 24)	6,164	4,015
Total distributable or available surplus (Note 1.4)	**101,283**	**113,650**
To mandatory reserve fund	81,026	90,868
To voluntary reserve fund	3,629	11,260
To Education and Development Fund – mandatory transfer (Notes 3.14 and 20)	10,128	10,832
To Education and Development Fund – mandatory transfer from Caja Rural del Duero	-	602
To Education and Development Fund – voluntary transfer (Notes 3.14 and 20)	6,500	88
Total distributed	**101,283**	**113,650**

The Retained Earnings incorporated from Caja Rural del Duero, Sociedad Cooperativa de Crédito Limitada, in the amount of Euros 6,609 thousand, correspond to undistributed profit that was applied to the various 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 2007 corresponds to that approved by the Members at the General Assembly held on 3 April 2008.

6. Risk management

This section describes 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

Due to the increasing complexity of the financing business, an increasingly competitive environment and the need to constantly improve the efficiency of the allocation of the resources available in financial activities, it is crucial that the risk inherent to banking activity is handled appropriately.

Credit risk arises from the possible loss caused by non-compliance with the contractual obligations undertaken by the Entity's counterparties. With regard to redeemable financing granted to third parties (in the form of credit, loans, deposits, securities, etc.) 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 assume them 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 overview of each of the risks affecting the banking business.

With regard to credit risk management, 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 the 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 highlight the efforts put forth by the Entity to prepare the Manual of Policies and Procedures for Credit Risk Management and Control. This Manual had been updated and adapted to the Entity's organisational changes during 2008 by means of Governing Board resolutions. This Board initially approved the Manual in 2005, which includes, inter alia, the principles and criteria for guiding credit risk management. Hence, the requirements of Appendix IX of Bank of Spain Circular 4/2004 regarding "Credit Risk" are considered fulfilled.

The Audit Committee and the Internal Auditing Department are the bodies entrusted with ensuring that the aforementioned policies and procedures are appropriate, effectively implemented and regularly reviewed.

a.1.) Management and measurement of credit risk

The authority/power system regarding the granting of credit operations, by virtue of the aforementioned Manual, is organised as follows:

a.1.1.) Description of the bodies with authority

The bodies with the authority to grant credit operations, according to their powers, are the Executive Committee, Investment Committee, Business Committee, Regional Risk Committees, Labour Financing Committee, Microcredit Committee, Private Authorisation Centre and Branches.

a.1.2.) Analysis and approval of credit risk

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

- The beginning of a credit risk operation involves the recording, by 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 its 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 granting process. If this department requires additional information for its analysis, it requests it from the branch that began the operation.

- At the 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 Acceptance Department is responsible for carrying out this task, reporting the operations whose approval should be submitted to higher authorities.

a.1.3.) Special procedure for related parties

- Governing Bodies and Senior Management Operations

  Operations involving members of the Governing Bodies and General Management, their spouses, children or up to 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 of the Entity's subsidiaries must be handled by the Executive Committee, regardless of their amount.

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

Credit rating models

Within the framework of the "Global Risk Management" project, different rating models have been gradually implemented that include practically the entire loans and receivables portfolio and which can be grouped as follows:

- Acceptance Scoring. These are models aimed at assessing the credit operation proposals and determining which are granted. They can be classified as follows:

  > Reactive Scoring, models that assess a specific application for a credit operation based on information provided by the applicant. There are three kinds:

    > General Reactive Scoring, which assesses, during the granting process, the financing needs of families, for which there are specific needs depending on the intended use and the guarantee: Mortgage, Consumer and Cards.

    > New Resident Reactive Scoring, which is similar to those described in the previous point, but specific to this particular group.

    > Small Business Reactive Scoring, which has been recently implemented and evaluates, during the granting process, the financing applications from entrepreneurs or self-employed individuals and micro-businesses.

  > Proactive Scoring, which evaluates the customer's credit quality, based on historical information available at the Entity on this customer and their behaviour. It evaluates, during the granting process, applications for operations carried out by individuals, for personal use, that meet family needs, as well as for business use.

- Monitoring Scoring. These are models aimed at assessing the credit quality of the customer and/or operation throughout its life, of private individual customers. There are two kinds:

  > Proactive Monitoring Scoring that rates the customer, and

  > Behavioural Scoring. There are seven operation scoring models, one for each type: Mortgage, Consumer, Cards, Credit Account, Guarantees, Credit Lines and Overdrafts.

- **Rating.** These are models aimed at assessing the customer's credit quality. There is at least one model for each portfolio segment:

  > Small Business Rating
  > Medium Business Rating
  > Large Business Rating
  > Property Developer Rating
  > Intensive Horticulture Rating
  > Fresh Produce Traders Rating

During 2008, Cajamar has continued the process of incorporating into credit risk management the models developed within the framework of convergence to the requirements of Basel II, in both the individuals and businesses areas.

- Individuals:

  With the aim of optimising the assessment of customers' credit quality and, specifically, the measurement of their payment capacity, various operational and methodological improvements have been made. Thus, with regard to the proactive scoring model for private individuals, more assessable products are available in order to provide better financing services in the business realm. At the same time, the calculation algorithm of indebtedness limits has been optimised.

  For the reactive scoring model, payment capacity estimation has been improved, perfecting the calculation of the cash balance and its influence on the final operation report.

  The credit rating models for private individuals implemented at the Entity have been monitored throughout the year in order to ensure they perform as expected.

  The reactive scoring models for micro-consumption and consumption have been re-estimated. As a result, they are much better adapted to the typical Cajamar portfolio.

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

- Businesses:

  As happens every year, the necessary adjustments have been made to the rating model developed for the assessment of the intensive fresh produce operations. As a result, the sector parameters have been updated and adapted to the new agricultural campaign. The degree of rating management integration provided by this model has continued, maintaining the approval boundaries that influence the level of functions conferred to the sales network.

  Halfway through the year, a reactive scoring model specifically for small businesses was implemented, covering the group of self-employed workers in the realm of private individuals and also micro-businesses within the realm of legal entities.

  The end of the year saw the development of a proactive scoring model aimed at the micro-business segment, based on the knowledge that the Entity has of our customers. Once it has been implemented in our systems at the beginning of 2009, the mapping of models for the small business group will be complete.

With the aim of rendering the business rating models more useful, the Entity has continued with the development and implementation of a system that translates this rating into a maximum indebtedness level by product type.

In order to complement the system described in the previous point and to update the credit rating of businesses, another rating model has been developed and implemented which automatically reassesses the businesses. Thus, this rating is updated on a monthly basis.

A monitoring process has been carried out throughout the year on the Rating Models for Small Business, Medium Business, Large Business, Intensive Horticulture and Fresh Produce Traders, in order to ensure they perform as expected.

Risk quantification

Throughout 2008 different activities designed to continually improve the quantification of credit risk have been carried out, with the aim of increasing the scope of knowledge of each of the factors involved in its determination.

In order to maintain the suitable quality of the data necessary for designing methodologies, improvements have been made to optimise the databases used for creating and calibrating models. Likewise, in order to homogenise the information, progress has been made in the project 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 processes necessary for a new calibration of the assessment models have also been carried out, updating the Central Default Trends observed and the Exposure and Severity factors.

Progress has also been made in the integration into management of the "Expected Loss" concept. As a result, the transactions evaluated by the credit rating models, during the granting process, incorporate this concept as data disclosure, used by agents when making decisions in terms of profitability and price in accordance with the risk they bear.

Estimate of Economic Capital

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

Integration into management

In 2008 the Entity has continued to develop actions aimed at supporting the various agents involved in credit risk management in their daily activity through the integration of the credit risk models into management.

Thus, within the realm of private individuals, special precautionary guidelines have been established for the approval of those operations with a greater likelihood of non-compliance. Moreover, ordinary powers have been adapted on the basis of the reports offered by the implemented scoring models.

The aim of all these procedures, in addition to providing the Entity with a global credit risk management model, is 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 or Basel II).

a.2.) Credit risk control

The Credit Risk Control Department is responsible for:

- Maintaining ongoing knowledge of the evolution of the Entity's major borrowers.
- Ascertaining and evaluating of 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 hedging of Cajamar's credit exposures.
- Foreseeing, in terms of the general and sectorial economic trend, exposures to credit risk by undesirable portfolios and 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 who have been non-compliant.

a.3.) Recovery

The Debt Recovery Department is dedicated to loan default management, assuming the direct responsibility for this management where necessary, and the management of the pre-contentious stage of defaulted operations.

Credit risk management includes the different stages of the loan's life and the different customer segments. The risk is managed from the acceptance 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 taken, which are initially carried out at the branch whose balance sheet contains the operation. To do this, the branch has support from specialised Agents from the Regional Management Teams, with the Debt Recovery Department providing the appropriate control and supervision.

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 record to the Debt Recovery Units of the Regional Management Teams, which are responsible for preparing it for the debt claim process and sending it to the Debt Recovery Department. This Department will review it in order to ensure that it has been correctly prepared. It is then sent to the Legal Affairs Department (Internal Litigation Office) for the commencement of the relevant legal actions, except in cases where its deferral has been authorised.

A lawsuit will be carried out once all the steps to settle the defaulted operation have been exhausted and the existence of conditions for predicting that legal actions against the debtor will result in the debt's repayment has been analysed. In cases of fraudulent operations, irrespective of their amount, the viability of civil or criminal legal actions that could lead to recovery of the debt is 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 those exceptional cases where there are sound reasons to do so.

a.4.) Total exposure to credit risk

The following table shows the total exposure to credit risk, net of valuation adjustments, at the 2008 and 2007 year ends.

	Thousands of euros	
	2008	2007
Loans and advances to other debtors	22,771,979	21,965,924
Credit institutions	567,683	699,886
Debt securities	28,131	51,003
Hedging derivatives	27,506	9,390
Contingent exposures	711,120	883,886
Total Risk	**24,106,419**	**23,610,089**
Lines drawable by third parties	2,407,484	3,529,319
Maximum exposure	**26,513,903**	**27,030,920**

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 the "Loans and Advances to other Debtors" caption under "Loans and receivables" for 2008 and 2007 is as follows:

	Thousands of euros					
	2008			2007		
	Risk	Distribution (%)	Of which: Doubtful assets	Risk	Distribution (%)	Of which: Doubtful assets
Greater than 6,000	3,180,022	13.65%	224,584	3,006,740	13.40%	51,636
Between 3,000 and 6,000	1,124,234	4.83%	59,443	1,047,871	4.67%	17,719
Between 1,000 and 3,000	1,871,709	8.04%	94,774	1,790,581	7.98%	9,065
Between 500 and 1,000	1,460,694	6.27%	53,085	1,442,786	6.43%	7,908
Between 250 and 500	2,588,755	11.11%	89,287	2,481,682	11.06%	24,773
Between 125 and 250	6,171,072	26.49%	167,685	5,699,343	25.40%	47,073
Between 50 and 125	5,032,724	21.61%	96,057	4,817,515	21.47%	37,637
Between 25 and 50	952,139	4.08%	27,448	1,063,578	4.74%	15,169
Less than 25	912,765	3.92%	46,858	1,088,260	4.85%	34,910
Valuation adjustments	(522,135)			(472,432)		
Loans and Advances to Other Debtors	**22,771,979**	**100.00%**	**859,221**	**21,965,924**	**100.00%**	**245,890**

The Entity has adopted a series of in-house criteria for the segmentation of credit operations, in line with the requirements of Bank of Spain Circular 3/2008, 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 credit operations and contingent exposures at 31 December 2008 and 2007 is as follows:

	Thousands of euros			
	2008		2007	
	Risk	Distribution (%)	Risk	Distribution (%)
Individuals:	**13,888,943**	**57.00%**	**13,356,428**	**56.25%**
Home mortgages	11,227,072	46.08%	10,535,216	44.37%
Family consumer credit:				
Micro-consumption	64,636	0.27%	28,895	0.12%
Automobiles	263,148	1.08%	301,554	1.28%
Other goods and services	521,269	2.14%	473,598	1.99%
Automatically renewable financing:				
Credit cards	95,967	0.39%	96,309	0.41%
Overdrafts	19,913	0.08%	21,617	0.09%
Other retail financing:				
Other secured items	1,022,469	4.20%	1,031,671	4.34%
Other personal guarantees	674,469	2.76%	867,568	3.65%
Businesses:	**10,227,525**	**41.98%**	**10,224,090**	**43.06%**
Property developers:				
Housing developments	2,921,953	12.00%	2,827,870	11.92%
Land acquisitions	1,086,162	4.46%	1,354,584	5.70%
Other developers' operations	778,445	3.19%	846,530	3.57%
Intensive horticulture operations	996,163	4.09%	760,494	3.20%
Fresh produce traders	335,422	1.38%	301,861	1.27%
Micro-businesses	2,035,289	8.35%	2,322,663	9.78%
Small businesses	641,620	2.63%	677,337	2.85%
Medium businesses	684,989	2.81%	527,365	2.22%
Large businesses	747,483	3.07%	605,386	2.55%
Public Entities:	**98,734**	**0.40%**	**31,970**	**0.13%**
Non-profit entities:	**150,188**	**0.62%**	**133,833**	**0.56%**
Balances drawn down of loans and advances to other debtors and contingent liabilities	24,365,390	100.00%	23,746,321	100.00%

With regard to the credit risk concentration level, the Bank of Spain requires that no customer or group of customers that 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 ratio (Note 19) are used for these calculations.

Furthermore, as risk diversification is a guidance criterion in Cajamar's credit risk management and control policies, the Entity has established limitations on risk concentration that are noticeably stricter than those required by the Bank of Spain, specifically:

- Risks incurred with an individual borrower, or a group of borrowers that form a risk group, cannot exceed 10% 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 greater than 4% of the Entity's eligible capital base. The sum of the risks of the relevant exposures must be less than four times the eligible capital base.

At 31 December 2008 and 2007, the Entity had complied with all of the concentration limitations, those established by the Bank of Spain and those set in-house.

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 from all factors that could positively or negatively affect the returns/costs associated with 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 non-payment and possible situations of non-liquidity. This exposure is analysed from two perspectives: the impact on the Income Statement and the Economic Value analysis, employing methodologies widely used throughout the financial system.

Income Statement Perspective:

An analysis is conducted on the sensitivity of the Financial Margin, both from a static and dynamic perspective, to the impacts resulting from different interest rate fluctuation scenarios.

A fluctuation of 200 basis points (2%) in interest rates would have an impact on net interest income sensitive to the interest rates for one year of 7.53% (2.17% in 2007, although this does not include the effect of the positions derived from the incorporation of Caja Rural del Duero, Sociedad Cooperativa de Crédito Limitada).

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 200 basis points (2%) in interest rates for one year is 0.76% (3.21%) in 2007.

Analysis of interest rate risk from the economic value perspective at 31 December 2008

Year 2008	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	More than 12 months	Total Sensitive	Sensitivity (variation 1 b.p.)	Term	Not sensitive	Total
Assets										
Money market	872,279	6,462	3,143	-	-	881,884	3	0.04	-	881,883
Credit market	3,131,944	5,553,166	4,675,731	8,315,336	951,097	22,627,274	2,025	0.89	681,555	23,308,829
Capital market	10,107	9,813	1,505	-	7,610	29,035	3	0.91	188,544	217,579
Other assets	-	-	-	-	-	-	-	-	1,281,037	1,281,037
	4,014,330	**5,569,441**	**4,680,378**	**8,315,336**	**958,707**	**23,538,193**	**2,031**	**0.51**	**2,151,136**	**25,689,329**
Liabilities and equity										
Money market	2,139,540	629,842	400,510	44,596	91,103	3,305,591	62	0.19	-	3,305,591
Medium and long-term issues	1,399,750	3,825,841	625,000	750,000	-	6,600,591	212	0.32	-	6,600,591
Other liabilities	-	-	-	-	-	-	-	-	1,736,734	1,736,734
Creditors	3,393,319	3,623,265	1,937,091	2,211,697	2,881,040	14,046,412	1,361	0.97	-	14,046,412
	6,932,609	**8,078,948**	**2,962,601**	**3,006,293**	**2,972,143**	**23,952,594**	**1,635**	**0.31**	**1,736,734**	**25,689,329**
Gap	**(2,918,279)**	**(2,509,507)**	**1,717,777**	**5,309,042**	**(2,013,436)**	**(414,402)**	**(165)**	**0.18**	**414,402**	**-**
Gap/Assets	**(11.36%)**	**(9.77%)**	**6.69%**	**20.67%**	**(7.84%)**	**(1.61%)**				

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.

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

Year 2007	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	More than 12 months	Total Sensitive	Sensitivity (variation 1 b.p.)	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	2,938,285	21,135,109	1,148	0.57	231,250	21,366,359
Capital market	22,951	8,503	-	1,101	2,614	35,170	1	0.21	242,047	277,217
Other assets	-	-	-	-	-	-	-	-	859,528	859,528
	3,167,489	**4,610,434**	**3,815,431**	**7,337,355**	**2,940,900**	**21,871,609**	**1,153**	**0.56**	**1,332,826**	**23,204,435**
Liabilities and equity										
Money market	1,381,260	1,448,446	141,100	208,860	-	3,179,666	47	0.15	-	3,179,666
Medium and long-term issues	400,000	2,221,910	650,774	1,000,000	1,163,972	5,436,656	162	0.31	-	5,436,656
Other liabilities	-	-	-	-	-	-	-	-	2,751,767	2,751,767
Creditors	4,740,373	1,674,254	1,118,886	1,169,919	3,132,914	11,836,346	1,289	1.12	-	11,836,346
	6,521,663	**5,344,610**	**1,910,760**	**2,378,779**	**4,296,886**	**20,452,668**	**1,497**	**0.76**	**2,751,767**	**23,204,435**
Gap	**3,354,144**	**(734,176)**	**1,904,672**	**4,958,576**	**1,355,986**	**1,418,941**	**(344)**	**0.20**	**(1,418,941)**	**-**
Gap/Assets	**(14.45%)**	**(3.16%)**	**8.21%**	**21.37%**	**(5.84%)**	**6.11%**				

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 Limitada.

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 basis 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 management methodology used, the type of information and the criteria employed 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 instruments traded on the market.

The Entity uses a cash management software application, 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 offered by speculative positions. Nevertheless, the cash management software application has a module for market risk analysis and control based on the Value at Risk (VaR) methodology. With this methodology, it aims 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 that define the model's operation are: a 99% level of reliability; a 1-day time horizon; and a 1-year timing window with equally-weighted mobile measures.

The application also makes it possible to define a limit structure, for the purpose of controlling 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 the 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 through the VaR methodology with real losses.

The model also enables stress-testing scenarios to be parameterised in order to quantify the maximum potential loss in the value of a portfolio in extreme scenarios of change in the risk factors to which this 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 type of the Entity's investments, the market risk to which it is exposed is not considered significant.

b.3.) Exchange rate risk

At 31 December 2008 and 2007, the impact of exchange rate 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:

	Thousands of euros	
Assets	**2008**	**2007**
Cash and balances with central banks	997	888
Loans and advances to credit institutions	67,515	76,192
Other assets	4,726	2,801
Total	**73,238**	**79,881**
	Thousands of euros	
Liabilities and equity	**2008**	**2007**
Deposits from other creditors	65,315	74,280
Other liabilities	503	453
Total	**65,818**	**74,733**
Net position	**7,420**	**5,148**
Purchase and sale of foreign currency	**16,863**	**14,502**

The net amount of the exchange differences taken to the income statement, except those included in the portfolio of financial assets and liabilities at fair value through profit or loss, totals a negative figure of Euros 340 thousand in 2008 (Euros 1,187 thousand in profit in 2007).

During 2008 and 2007, the Entity had no "Exchange Differences" classified in the "Valuation adjustments" caption under "Equity".

c) Liquidity risk

This risk reflects a credit institution's possible difficulty 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 Assets and Liabilities Committee (ALCO) is responsible for optimising the Entity's liquidity. The management performed by the ALCO includes the following functions:

- Analysis of the current situation of equity components.

- Analysis of the foreseeable evolution of these components in situations of business inertia.

- Expected strategic development: profitability and risk objectives.

- Evaluation of risks to which the Entity is subjected, with particular attention to interest rates and prices of financial assets.
- Analysis of the evolution of the applied spreads, with special attention to competitors.
- Simulation of scenarios, from the most probable to the most extreme.
- Continuous monitoring and analysis of deviations. Corrective measures.
- Analysis and implementation of the legal and regulatory modifications.
- Study of the national and international macroeconomic situation as a determining element of the environment in which the Entity operates.

The main instruments that support liquidity risk management within the framework of the ALCO's activities are:

- **Static liquidity gap:** These are caused by cash flows on the Entity's equity components. These cash flows come from a static analysis, 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, primarily 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, in addition to optionality assumptions, basically linked to the application of prepayment options.
- **Liquidity Profile Ratio (LPR):** 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 on a daily basis. Likewise, the ALCO's procedures manual includes appropriate contingency plans for possible non-liquidity situations.
- **Structural liquidity ratios:** The Entity has implemented different ratios to analyse and monitor the Entity's financing structure, paying special attention to wholesale funds, in the interests of maintaining an appropriate balance with the retail funds and a suitable diversification of sources and instruments, while avoiding undesirable concentrations of instrument and/or issue maturities within a certain period of time.

Within the overall liquidity management framework (Notes 7.2, 7.4.a, 7.5.a, 7.5.b, 7.6.a, 7.6.b, 7.6.c, 7.6.d and 7.6.e), progress is being made with the objective of diversifying financing sources, 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 2008 and 2007. The maturity dates included in the preparation of the table below are the expected maturity or cancellation dates obtained according to the Entity's historical experience:

Year 2008

Assets	Up to 1 month	Up to 1 month	Between 1 and 3 months	Between 3 and 6 tmonths	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Undetermined and unclassified maturity	Valuation adjustments	Total
	Thousands of euros									
Cash and balances with central banks	433,800	100,000	-	-	-	-	-	-	369	534,169
Loans and advances to credit institutions	63,327	493,909	6,478	3,369	-	-	-	-	600	567,683
Loans and advances to other debtors	-	665,437	665,695	812,667	1,326,417	4,436,916	14,609,315	777,667	(522,135)	22,771,979
Debt securities	-	-	605	1,570	-	22,033	3,950	-	(27)	28,131
Rest of assets held to maturity	-	-	237	-	151	6,050	1,810	-	-	8,248
Total	**497,127**	**1,259,346**	**673,015**	**817,606**	**1,326,568**	**4,464,999**	**14,615,075**	**777,667**	**(521,193)**	**23,910,210**
Liabilities and equity										
Deposits from central banks	-	1,675,000	500,000	200,000	-	-	-	-	25,809	2,400,809
Deposits from credit institutions	-	329,557	8,164	24,395	35,690	265,041	64,835	16,756	4,582	749,020
Deposits from other creditors	5,684,932	1,720,389	2,167,145	1,777,543	2,128,616	90,457	4,422,068	57,639	112,423	18,161,212
Debt certificates including bonds	-	69,972	68,203	51,151	431,279	400,000	-	-	10,809	1,031,414
Subordinated liabilities	-	-	-	-	-	-	300,000	-	(652)	299,348
Rest of liabilities held to maturity	-	226,603	3	548	337	634	-	-	-	228,125
Total	**5,684,932**	**4,021,521**	**2,743,515**	**2,053,637**	**2,595,922**	**756,132**	**4,786,903**	**74,395**	**152,971**	**22,869,988**
Gap (without valuation adjustments)	**(5,187,805)**	**(2,762,175)**	**(2,070,500)**	**(1,236,031)**	**(1,269,354)**	**3,708,867**	**9,828,172**	**703,272**		**1,714,446**
Accumulated gap	**(5,187,805)**	**(7,949,980)**	**(10,020,480)**	**(11,256,511)**	**(12,525,865)**	**(8,816,998)**	**1,011,174**	**1,714,446**		

Year 2007

Assets	Up to 1 month	Up to 1 month	Between 1 and 3 months	Between 3 and 6 tmonths	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Undetermined and unclassified maturity	Valuation adjustments	Total
	Thousands of euros									
Cash and balances with central banks	340,276	-	-	-	-	-	-	-	540	340,816
Loans and advances to credit institutions	196,477	361,309	27,017	10,770	7,214	1,830	91,355	-	3,914	699,886
Loans and advances to other debtors	-	964,591	798,188	892,105	1,454,303	4,355,530	13,442,118	531,521	(472,432)	21,965,924
Debt securities	-	10,140	1,972	-	1,907	30,530	6,454	-	-	51,003
Rest of assets held to maturity	-	20,512	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)**	**23,192,382**
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
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
Rest of 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**		

d) Operational risk

The Bank of Spain Guide for the application of the Standard Method for determining eligible capital by Operational Risk defines this risk as that which causes loss as a result of: a lack of adaptation; a failure in the processes, personnel or internal systems; or external causes. This definition includes legal risk and excludes reputational risk.

Bank of Spain Circular 3/2008 on the determination and control of capital adequacy classifies operational risk into the following categories, based on the type of event from which they originate:

- *Internal fraud*: losses resulting from actions set out to commit fraud, illegally appropriate goods or evade compliance with regulations, laws or corporate policies, in which at least one senior management representative, executive or employee of the credit institution is involved.

- *External fraud:* losses resulting from actions set out to commit fraud, illegally appropriate goods or evade compliance with legislation, which are carried out by third parties not directly related to the credit institution.

- *Labour relations and safety in the workplace:* losses resulting from actions which violate legislation or labour agreements regarding employment, hygiene or safety in the workplace, as well as actions derived from claims due to personal injury or physical or mental damages, including damages related to cases of harassment and discrimination.

- *Customers, products and business practices:* losses resulting from involuntary, negligent or wilful non-compliance with a professional obligation to specific customers, including non-compliance with fiduciary or adequacy requirements, or with the nature or design of a product.

- *Damage to material assets:* losses resulting from damage or harm to material assets due to natural disasters or other events.

- *Interruption of business and system failures:* losses resulting from incidents that impact the business as well as system failures.

- *Process execution, delivery and management:* losses resulting from errors in operation processing or process management, as well as those related to commercial counterparties and suppliers.

During 2008, the Entity has continued to make progress, through its Operational Risk Control office, in the defining, developing and implementation of a specific methodology for operational risk management and measurement.

The defined organisational structure guarantees the basic principles set forth by the Basel Committee on Banking Supervision:

- Independence of the Operational Risk Unit with respect to the business units, which shall be reviewed 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.

Aware of the importance of appropriate control and management of operational risk at the strategic level, the Entity is working on implementing an advanced operational risk management model (Advanced Measurement Approach - AMA), which will be 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 in accordance with Bank of Spain Circular 3/2008 of 22 May.

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

This main objective can be subdivided into the following premises:

- To promote an operational risk management culture within the Entity aimed specifically at raising risk awareness, responsibility and commitment to quality.
- To comply with the regulatory framework and optimise capital allocation.
- To establish systems that continually improve the Entity's processes from the point-of-view of operational risk and develop controls that minimise possible risk exposure.

e) Fair value of financial instruments

At 31 December 2008 and 2007, 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 coupon curve through the IRR curve, corrected by a spread that depends on the degree of solvency of the instruments' issuer, specifically of the sector, the term remaining to maturity and the issue rating. The zero coupon curve used for each issue will depend on its characteristics.

"Equity instruments" include 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, i.e., adjusting the Entity's equity with the unrealised capital gains existing at the valuation date.

The fair value of "Loans and receivables" has been related to the current value of the cash flows created by these instruments, through the application of 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 which will be generated by these instruments, through the application of market interest rates.

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

There are no financial instrument portfolios at fair value through profit and loss.

7. Financial instruments

7.1 Details of Financial Assets and Liabilities by type and category

The carrying value of the financial assets held by the Entity at 31 December 2008 and 31 December 2007 are detailed below, organised by type and the category defined in relevant regulations under which they are classified on these dates:

	Thousands of euros				
2008	Financial assets held for trading	Other financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments
Financial Assets					
Type/Category					
Loans and advances to credit institutions	-	-	-	567,683	-
Loans and advances to other debtors	-	20,201	-	22,751,778	-
Debt securities	-	-	28,131	-	-
Equity instruments	-	-	115,805	-	-
Debt certificates including bonds	252	-	-	-	-
Total	**252**	**20,201**	**143,936**	**23,319,461**	**-**
2007					
Financial Assets					
Type/Category					
Loans and advances to credit institutions	3,363	-	-	699,886	-
Loans and advances to other debtors	-	-	-	21,965,924	-
Debt securities	-	-	51,003	-	-
Equity instruments	-	-	171,832	-	-
Debt certificates including bonds	1,476	-	-	-	-
Total	**4,839**	**-**	**222,835**	**22,665,810**	**-**

The carrying value of the Entity's financial liabilities at 31 December 2008 and 31 December 2007 are detailed below, organised by type and the category defined in relevant regulations under which they are classified on these dates:

	Thousands of euros		
2008	Financial liabilities held for trading	Other financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Financial Liabilities			
Type/Category			
Deposits from central banks	-	-	2,400,809
Loans and advances to credit institutions	-	-	749,020
Deposits from other creditors	-	-	18,161,212
Debt certificates including bonds	-	-	1,031,414
Trading derivatives	6	-	-
Subordinated liabilities	-	-	299,348
Short positions	-	-	-
Other financial liabilities	-	-	247,823
Total	**6**	**-**	**22,889,626**
2007			
Financial Liabilities			
Type/Category			
Deposits from central banks	-	-	1,154,024
Loans and advances to credit institutions	-	-	769,751
Deposits from other creditors	-	-	17,334,130
Debt certificates including bonds	-	-	1,959,944
Trading derivatives	719	-	-
Subordinated liabilities	-	-	359,445
Short positions	-	-	-
Other financial liabilities	-	-	280,000
Total	**719**	**-**	**21,857,294**

7.2. Cash and balances with central banks

The "Cash and balances with central banks" caption in the accompanying balance sheets at 31 December 2008 and 2007 is comprised as follows:

	Thousands of euros	
	2008	2007
Cash on hand	162,807	132,602
Bank of Spain:		
Assets purchased under resale agreements	-	-
Rest of deposits	370,993	207,674
Other central banks	**-**	**-**
Valuation adjustments:		
Accrued interest	369	540
Micro-hedging operations	-	-
Other	-	-
Total	**534,169**	**340,816**

The balance under “Bank of Spain – Rest of deposits” corresponds to the deposit made to cover the minimum reserve ratio (Note 1.4).

The breakdown by term to maturity of these captions is included in Note 6.c on liquidity risk.

The balance of this caption is considered as cash or cash equivalents for the purposes of preparing the cash flow statements for the years 2008 and 2007.

7.3. Financial assets at fair value

7.3.1. Financial assets and liabilities held for trading

The financial assets and liabilities caption on the accompanying balance sheets is detailed as follows:

	Thousands of euros			
	Assets		Liabilities	
	2008	2007	2008	2007
Deposits from central banks	-	-	-	-
Loans and advances to credit institutions	-	3,363	-	-
Loans and advances to other debtors	-	-	-	-
Deposits from other creditors	-	-	-	-
Debt securities	-	-	-	-
Debt certificates including bonds	-	-	-	-
Equity instruments	-	-	-	-
Trading derivatives	252	1,476	6	719
Short positions	-	-	-	-
Other financial liabilities	-	-	-	-
Total	**252**	**4,839**	**6**	**719**

At 31 December 2007, "Loans and advances to credit institutions" included 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 of the signed agreements, the Entity considered these assets as hybrid financial assets, stating them at their fair value through profit or loss.

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

The notional and fair values of financial derivatives booked as "Debt certificates including bonds" at 31 December 2008 and 2007 are detailed below according to their different classifications: type of market, type of product, counterparty, term to maturity and type of risk:

Thousands of euros

By type of market	Notional 2008	Notional 2007	Fair value Assets 2008	Fair value Assets 2007	Fair value Liabilities 2008	Fair value Liabilities 2007
Official Markets	**3,672**	**5,424**	**-**	**-**	**-**	**-**
Financial futures:	3,672	5,424	-	-	-	-
Purchased	-	-	-	-	-	-
Sold	3,672	5,424	-	-	-	-
Options:	-	-	-	-	-	-
Purchased	-	-	-	-	-	-
Sold	-	-	-	-	-	-
Other products:	-	-	-	-	-	-
Purchased	-	-	-	-	-	-
Sold	-	-	-	-	-	-
Unofficial Markets	**5,741,590**	**3,813,797**	**252**	**1,476**	**6**	**719**
Total	**5,745,262**	**3,819,221**	**252**	**1,476**	**6**	**719**

Thousands of euros

By type of product	Notional 2008	Notional 2007	Fair value Assets 2008	Fair value Assets 2007	Fair value Liabilities 2008	Fair value Liabilities 2007
Foreign currency forward transactions:	**-**	**-**	**-**	**-**	**-**	**-**
Purchase	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Purchase of currencies against currencies	-	-	-	-	-	-
Forward rate agreements (FRA)	**-**	**-**	**-**	**-**	**-**	**-**
Swaps	**5,740,370**	**3,813,233**	**251**	**1,476**	**5**	**719**
Options:	**1,220**	**564**	**1**	**-**	**1**	**-**
Purchased	1,001	564	1	-	-	-
Sold	219	-	-	-	1	-
Other products:	**3,672**	**5,424**	**-**	**-**	**-**	**-**
Purchased	-	-	-	-	-	-
Sold	3,672	5,424	-	-	-	-
Total	**5,745,262**	**3,819,221**	**252**	**1,476**	**6**	**719**

By counterparty	Notional 2008	Notional 2007	Fair value Assets 2008	Fair value Assets 2007	Fair value Liabilities 2008	Fair value Liabilities 2007
Resident credit institutions	408,612	413,505	245	1,476	-	705
Non-resident credit institutions	-	-	-	-	-	-
Other resident financial entities	4,760,901	2,763,626	7	-	-	14
Other non-resident financial entities	574,892	641,075	-	-	-	-
Rest of resident sectors	857	1,015	-	-	6	-
Rest of non-resident sectors	-	-	-	-	-	-
Total	**5,745,262**	**3,819,221**	**252**	**1,476**	**6**	**719**

By term to maturity	Notional 2008	Notional 2007	Fair value Assets 2008	Fair value Assets 2007	Fair value Liabilities 2008	Fair value Liabilities 2007
Up to 1 year	10,672	20,602	219	-	-	-
Between 1 and 5 years	40,649	63,945	33	722	6	678
More than 5 years	5,693,941	3,734,674	-	754	-	41
Total	**5,745,262**	**3,819,221**	**252**	**1,476**	**6**	**719**

By type of risk	Notional 2008	Notional 2007	Fair value Assets 2008	Fair value Assets 2007	Fair value Liabilities 2008	Fair value Liabilities 2007
Exchange rate risk	-	-	-	-	-	-
Interest rate risk	5,741,257	3,793,281	247	168	6	651
Share risk	4,005	25,940	5	1,308	-	68
Credit risk	-	-	-	-	-	-
Other risks	-	-	-	-	-	-
Total	**5,745,262**	**3,819,221**	**252**	**1,476**	**6**	**719**

7.3.2. Other financial assets at fair value through profit or loss

This caption includes the hybrid financial assets that cannot be segregated in a main contract and their embedded derivative, as well as those assets from which the most relevant information is obtained upon the elimination or reduction of inconsistencies in their recognition and valuation. The details from the accompanying balance sheets are as follows:

	Thousands of euros	
	2008	2007
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	20,201	-
Debt securities	-	-
Equity instruments	-	-
Total	**20,201**	**-**

7.4. Available-for-sale financial assets

This caption from the accompanying balance sheets is detailed as follows:

	Thousands of euros	
	2008	2007
Debt securities	28,131	51,003
Other equity instruments	115,805	171,832
Total	**143,936**	**222,835**

a) Debt securities

The debt securities classified based on their counterparty are detailed as follows:

	Thousands of euros	
	2008	2007
Central banks	-	-
Spanish Public Administrations	5,008	6,545
Credit institutions	1,509	10,852
Other resident sectors	16,971	32,571
Non-resident public administrations	-	-
Other non-resident sectors	4,670	1,035
Doubtful assets	-	-
Valuation adjustments:		
Asset impairment adjustments	(27)	-
Micro-hedging operations	-	-
Transaction cost	-	-
Total	**28,131**	**51,003**

Euros 1,505 thousand of the “Debt securities” balance at 31 December 2008 were pledged as collateral in the credit contract subscribed with the Bank of Spain (Euros 14,102 thousand at 31 December 2007) (Note 7.6.a).

Accrued interest on debt securities during 2008 and 2007 amounted to Euros 2,035 thousand and 2,513 thousand, respectively (Note 24).

Variations in the balance of this caption on the accompanying balance sheets during 2008 and 2007, without considering the impairment adjustments, are as follows:

	Thousands of euros	
	2008	2007
Opening balance	**51,003**	**70,275**
Purchases	-	-
Sales, depreciation and amortisation	(20,001)	(33,465)
Incorporation of Caja Rural del Duero	-	15,232
Valuation adjustments	(344)	(425)
Ajustes por valoración	(2,500)	(614)
Closing balance	**28,158**	**51,003**

Details of this caption by term to maturity are included in Note 6.c on liquidity risk.

b) Equity instruments

This caption of the accompanying balance sheet includes the financial instruments issued by other entities, such as shares, contributions and non-voting equity units which have the nature of equity instruments for the issuer, except those companies in which control is exercised, ownership exceeds 20% or, in the event that ownership is lower, significant influence is exercised. This caption includes investment fund participations.

At 31 December 2008 and 2007 the details of the balance, by sector of issuer activity, are as follows:

	Thousands of euros	
	2008	2007
Credit institutions	27,049	61,932
Other resident sectors	88,756	109,900
Non-residents	-	-
Total	**115,805**	**171,832**

At the 2008 and 2007 year ends the caption "Equity instruments" is broken down as follows, by quoted or unquoted instruments included therein, and percentage over total:

	2008		2007	
	Thousands of euros	% sobre el total	Thousands of euros	% sobre el total
Quoted:	**12,888**	**11.13%**	**14,581**	**8.49%**
Cost	14,354	12.39%	14,054	8.18%
Equity valuation adjustment	(1,466)	(1.27%)	527	0.31%
Profit and loss valuation adjustment	-	-	-	-
Asset impairment adjustment	-	-	-	-
Unquoted:	**102,917**	**88.87%**	**157,251**	**91.51%**
Cost	90,405	78.06%	121,207	70.53%
Incorporation cost Caja Rural Duero	-	-	5,467	3.18%
Equity valuation adjustment	14,400	12.43%	30,844	17.95%
Incorporation of equity valuation adjustment Caja Rural Duero	-	-	1,562	0.91%
Impairment adjustment	(1,888)	(1.63%)	(1,809)	(1.05%)
Incorporation of impairment adjustment Caja Rural Duero	-	-	(20)	(0.01%)
Total	**115,805**	**100.00%**	**171,832**	**100.00%**

During 2008 and 2007 the caption "Equity instruments" has recorded the following changes, without taking into account impairment losses, and distinguishing between instruments quoted on official markets and unquoted instruments:

	Thousands of euros			
	Quoted		Unquoted	
	2008	2007	2008	2007
Opening balance	**14,581**	**38,053**	**159,080**	**150,471**
Additions	300	47,360	8,169	15,822
Disposals	-	(70,794)	(44,438)	(14,444)
Transfers	-	-	-	-
Incorporation cost Caja Rural Duero	-	-	-	5,468
Equity valuation adjustments	(1,993)	(38)	(18,006)	201
Incorporation equity valuation adjustments Caja Rural Duero	-	-	-	1,562
Closing balance	**12,888**	**14,581**	**104,805**	**159,080**

The additions and disposals corresponding to instruments officially quoted during 2008 and 2007 correspond to participations acquired and sold in Investment Funds.

The most significant additions made during 2008 which correspond to unquoted securities mainly include the taking of a stake in the company Gredos San Diego S.C.M. in the amount of Euros 3,000 thousand, as well as the contributions made to venture capital funds and companies in the total amount of Euros 3,545 thousand. The rest of the additions correspond to different capital increases in companies for a total amount of Euros 1,624 thousand.

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

The most significant disposals during 2008 corresponding to unquoted securities mainly include the sale of the shares held in the companies Seguros Generales Rural S.A., Banco Cooperativo Español S.A., Rural Servicios Informáticos S.C. and Espiga Capital Inversión S.C.R. S.A., for a total amount of Euros 41,121 thousand. The rest of the disposals correspond to various divestitures related to the companies for a total amount of Euros 2,878 thousand, as well as to the reimbursement of investments in venture capital funds for a total amount of Euros 439 thousand.

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

Due to the integration of the balance sheet from Caja Rural del Duero, Sociedad Cooperativa de Crédito Limitada during 2007, its group of investments classified as "Available-for-sale Financial Assets" has been incorporated into the Entity's "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 an amount of Euros 1,173 thousand.

During 2008 and 2007, the Entity recorded investments at cost in the "Available-for-sale financial assets" portfolio, for Euros 3,999 thousand and 5,984 thousand, respectively, as their fair value could not be reliably determined.

During 2008, investments booked by the Entity at cost under "Available-for-sale financial assets" represent 3.45% of the portfolio total (3.48% in 2007).

Yields on "Equity instruments" at 31 December 2008 and 2007 amount to Euros 1,410 thousand and 5,204 thousand, respectively (Note 24).4).

c) Impairment losses

The breakdown of impairment losses booked at year end in 2008 and 2007 for assets under the "Available-for-sale financial assets" caption is as follows:

	Thousands of euros	
	2008	2007
Provision opening balance	**(1,829)**	**(1,299)**
Provisions charged to profit and loss (Note 24):		
Individually determined	(59)	(443)
Collectively determined	(27)	-
Recovered funds	-	-
Write-offs due to use and other	-	(67)
Transfers	-	-
Incorporation of Caja Rural Duero impairment	-	(20)
Provision closing balance	**(1,915)**	**(1,829)**

d) Equity valuation adjustments

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 recognising variations in the fair value net of taxes (Note 17).

At 31 December 2008 and 2007, the details of these variations are as follows:

	Thousands of euros	
Gains on available-for-sale assets portfolio	2008	2007
Debt securities:	**(1,823)**	**62**
Capital gains	(2,431)	69
Tax effect	608	(7)
Other equity instruments:	**9,054**	**23,053**
Capital gains	12,934	32,933
Tax effect	(3,880)	(9,880)
Total	**7,231**	**23,115**

7.5. Loans and receivables

Details of this balance sheet caption are as follows:

	Thousands of euros	
	2008	2007
Loans and advances to credit institutions	567,683	699,886
Loans and advances to other debtors	22,771,979	21,965,924
Debt securities	-	-
Total	**23,339,662**	**22,665,810**

a) Loans and advances to credit institutions

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

By type (assets)	Thousands of euros 2008	2007
Nostro/vostro accounts	**3,046**	**1,203**
Term deposits	**460,440**	**409,168**
Hybrid financial assets:	**-**	**-**
With guaranteed capital	-	-
With embedded credit derivative	-	-
Other	-	-
Assets purchased under resale agreements	**-**	**-**
Other deposits	**60,281**	**192,273**
Doubtful assets	**-**	**-**
Resident credit institutions	-	-
Non-resident credit institutions	-	-
Other financial assets (checks drawn on credit institutions)	**43,316**	**93,690**
Valuation adjustments:		
Asset impairment adjustments	-	-
Accrued interest:		
Resident institutions	600	3,552
Non-resident institutions	-	-
Total	**567,683**	**699,886**

Details of this caption by term to maturity are included in Note 6.c on liquidity risk.

b) Loans and advances to other debtors

Details of these captions in the accompanying balance sheets, taking into consideration the credit type and status, the counterparty's sector and the type of interest rate, are as follows:

	Thousands of euros	
By credit type and status	**2008**	**2007**
Commercial loans	547,707	824,313
Secured loans	17,710,850	16,945,890
Assets purchased under resale agreements	-	-
Hybrid financial assets	-	-
Other term debtors	3,384,816	3,607,621
Lease financing	216,277	241,818
Loans on demand and others	535,261	554,663
Doubtful assets	859,221	245,890
Valuation adjustments	(522,135)	(472,432)
Other financial assets:		
Financial guarantee commissions (Notes 3.6 and 9)	9,512	10,846
Rest of financial assets	10,269	7,315
Total	**22,751,778**	**21,965,924**
By sector		
Spanish public administration	99,191	23,285
Other resident sectors	22,417,885	21,713,415
Non-resident public administrations	-	-
Other non-resident sectors	234,702	229,224
Total	**22,751,778**	**21,965,924**
By interest rate type		
Fixed	1,948,953	2,221,368
Variable	20,802,825	19,744,556
Total	**22,751,778**	**21,965,924**

The caption "Rest of financial assets" includes other debtor balances owed to the Entity as a result of non-credit transactions.

Details of this caption by term to maturity are included in Note 6.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	
Valuation adjustments	**2008**	**2007**
Asset impairment adjustments	(530,516)	(460,140)
Accrued interest	113,786	98,338
Micro-hedging operations	-	-
Assets at fair value	(3,410)	(3,188)
Acquisition premiums/discounts	(24,426)	(31,975)
Commissions	(77,569)	(75,467)
Transaction costs	-	-
Total	**(522,135)**	**(472,432)**

b.2.) Unimpaired assets

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

Year 2008	Less than 1 month	Between 1 and 2 months	Between 2 and 3 months	Total
	Thousands of euros			
Unsecured transactions	85,494	47,198	22,616	155,308
Secured transactions on finished housing	2,311	1,341	1,368	5,020
Other secured transactions	27,010	13,417	10,717	51,144
With partially pledged collateral	543	377	44	964
Total	**115,358**	**62,333**	**34,745**	**212,436**

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

b.3.) Impaired assets

The classification of impaired assets pending collection according to age is as follows:

Year 2008	Up to 6 months	Between 6 and 12 months	Between 12 and 18 months	Between 18 and 24 months	More than 24 months	Total
	Thousands of euros					
Unsecured transactions	108,460	86,510	21,542	16,622	29,147	262,281
Secured transactions on finished housing	110,419	49,702	9,979	4,854	2,941	177,895
Other secured transactions	163,732	160,667	42,778	34,337	17,531	419,045
With partially pledged collateral	-	-	-	-	-	-
Total	**382,611**	**296,879**	**74,299**	**55,813**	**49,619**	**859,221**

Year 2007	Up to 6 months	Between 6 and 12 months	Between 12 and 18 months	Between 18 and 24 months	More than 24 months	Total
	Thousands of euros					
Unsecured transactions	21,174	16,330	11,062	7,993	18,094	74,653
Secured transactions on finished housing	39,451	11,833	3,983	3,957	1,143	60,367
Other secured transactions	45,131	33,834	13,437	9,884	8,584	110,870
With partially pledged collateral	-	-	-	-	-	-
Total	**105,756**	**61,997**	**28,482**	**21,834**	**27,821**	**245,890**

The amount of accumulated accrued financial income from impaired loans and advances to other debtors recorded in the income statement, prior to their impairment, was Euros 8,336 thousand and 2,279 thousand in 2008 and 2007, respectively.

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

During 2008 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 2008 and 2007, the available balance of these operations is as follows:

Securitisation of assets	Thousands of euros	
	2008	2007
Balance sheet write-offs:	**789,809**	**880,177**
Mortgage loans granted to securitisation funds	696,583	806,567
Other transfers to credit institutions	93,226	73,610
Held on the balance sheet:	**1,927,208**	**2,127,501**
Mortgage loans granted to securitisation funds	1,927,208	2,127,501
Other transfers to credit institutions	-	-
Total	**2,717,017**	**3,007,678**

Commissions from securitised assets written off the balance sheet which correspond to all securitisations prior to 1 January 2004 have been taken to the income statement caption "Gains or losses on financial assets and liabilities (net)" in 2008 and 2007 at Euros 1,640 thousand and 1,369 thousand, respectively (Note 24).

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 other creditors" amounting to Euros 2,023,079 thousand and 2,339,722 thousand at 2008 and 2007 year end, respectively, under "Shares issued" (Note 7.6.c).

The Entity has carried out loan and credit conversions on discounted bonds by transferring these to securitisation funds which, registered under "Loans and advances to other debtors", allow financing through pledging. The details of previous operations that have signified the conversion of loans and receivables into fixed income securities are as follows:

Converted assets	Thousands of euros	
	2008	2007
Lending operations	5,070,074	3,261,069

Of the Euros 5,070,074 thousand in existing securitised bonds at 31 December 2008, (Euros 3,261,069 thousand at 31 December 2007), Euros 4,165,501 thousand (Euros 2,861,377 thousand at 31 December 2007) (Note 7.6.a) were pledged as collateral in the credit contract entered into with the Bank of Spain. Through this transaction, the Entity obtained financing in the amount of Euros 2,375,000 thousand (Euros 1,150,000 thousand at 31 December 2007) (Note 7.6.a).

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

Loans and credit as collateral	Thousands of euros 2008	2007
Asset securitisation collateral	1,927,208	2,127,501
Asset conversion collateral	5,070,074	3,261,069
Covered bond collateral	2,493,750	2,220,000
Total	**9,491,032**	**7,608,570**

In accordance with the minimum hedges set forth 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 2008 and 2007 year end, both amounting to Euros 2,244,600 thousand (Note 7.6.c).

c) Impairment losses

Details of impairment losses booked at year end in 2008 and 2007 for assets recorded under loans and receivables are as follows:

Year 2008	Thousands of euros			
	Specific Hedges	General Hedges	Country Risk Hedges	Total Hedges
Balance at 31 December 2007	**132,771**	**327,369**	**-**	**460,140**
Provisions charged to profit and loss:				
Individually determined	197,386	-	-	197,386
Collectively determined	50,574	-	-	50,574
Recovery of provisions credited to profit and loss	(9,678)	(125,882)	-	(135,560)
Defaulted loans written off against funds	(20,185)	-	-	(20,185)
Other movements	(21,839)	-	-	(21,839)
Balance at 31 December 2008	**329,029**	**201,487**	**-**	**530,516**
Of which:				
According to method of determination:				
Individually determined	247,741	-	-	247,741
Collectively determined	81,288	201,487	-	282,775
According to geographical area of risk location:				
Spain	329,029	201,487	-	530,516
Rest of Europe	-	-	-	-
According to type of hedged asset:				
Loans and advances to credit institutions	-	-	-	-
Loans and advances to other debtors	329,029	201,487	-	530,516
Debt securities	-	-	-	-

Year 2007	Thousands of euros			
	Specific Hedges	General Hedges	Country Risk Hedges	Total Hedges
Balance at 31 December 2006	**74,870**	**272,187**	**-**	**347,057**
Provisions charged 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 credited to profit and loss	(14,508)	-	-	(14,508)
Defaulted loans written off against funds	(19,454)	-	-	(19,454)
Other movements	(941)	-	-	(941)
Balance at 31 December 2007	**132,771**	**327,369**	**-**	**460,140**
Of which:				
According to method of determination:				
Individually determined	102,057	-	-	102,057
Collectively determined	30,714	327,369	-	358,083
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	-	-	-	-
Loans and advances to other debtors	132,771	327,369	-	460,140
Debt securities	-	-	-	-

In 2008, Euros 50,574 thousand have been provided as hedging for a group of operations rated in the substandard category specified in Point 7.b. of Appendix IX to Bank of Spain Circular 4/2004 of 22 December and its subsequent modifications. In order to determine this rating and hedging, the Entity has followed criteria associated with the evolution of the fixed asset cycle. With this provision, the fund established to hedge substandard risk comes to an amount of Euros 81,288 thousand.

Details of "Impairment losses on financial assets (net) - Loans and receivables" (Note 24) in the income statement at 31 December 2008 and 2007 are as follows:

	Thousands of euros	
	2008	2007
Provision for the year:	**(250,783)**	**(132,612)**
Specific and general funds	(247,960)	(124,655)
Net write-offs of loan losses	(2,823)	(7,957)
Recovery of defaulted loans	**7,642**	**8,722**
Rest of recoveries	**135,560**	**14,508**
Total	**(107,581)**	**(109,382)**

7.6. Financial liabilities at amortised cost

Details of this liabilities caption in the accompanying balance sheets at 31 December 2008 and 2007 are as follows:

	Thousands of euros	
	2008	2007
Deposits from central banks	2,400,809	1,154,024
Deposits from credit institutions	749,020	769,751
Deposits from other creditors	18,161,212	17,334,130
Debt certificates including bonds	1,031,414	1,959,944
Subordinated liabilities	299,348	359,445
Other financial liabilities	247,823	280,000
Total	**22,889,626**	**21,857,294**

a) Deposits from central banks

The balances under this heading in the balance sheets at 31 December 2008 and 2007 are comprised as follows:

	Thousands of euros	
	2008	2007
Bank of Spain	2,375,000	1,150,000
Other central banks	-	-
Valuation adjustments:		
Accrued interest	25,809	4,024
Micro-hedging operations	-	-
Other	-	-
Total	**2,400,809**	**1,154,024**

The balance entered in the "Bank of Spain" heading at 31 December 2008 corresponds to the short-term financing obtained by the Entity through the credit contract with pledged securities and other assets signed with the Bank of Spain by virtue of the mechanisms arbitrating the Eurosystem's monetary policy, under which credit of Euros 4,167,006 thousand (Euros 2,875,479 thousand at 31 December 2007) has been granted (Notes 7.4.a. and 7.5.b.4).

b) Deposits from credit institutions

Details of this caption under "Financial liabilities at amortised cost" in the liabilities section in the balance sheets according to instrument type are as follows:

	Thousands of euros	
By type (liabilities)	2008	2007
Nostro/vostro accounts	**885**	**10,322**
Term deposits	**727,682**	**725,532**
Shares issued	**-**	**-**
Other financial liabilities associated with transferred financial assets	**-**	**-**
Hybrid financial liabilities:		
With guaranteed capital	-	-
With embedded credit derivative	-	-
Other	-	-
Assets sold under repurchase agreements	**-**	**-**
Other deposits	**15,871**	**28,324**
Valuation adjustments:		
Accrued interest:		
Resident institutions	4,582	5,578
Non-resident institutions	-	-
Micro-hedging operations	-	-
Liabilities at fair value	-	-
Acquisition premiums/discounts	-	-
Transaction costs	-	(5)
Total	**749,020**	**769,751**

Details of this caption by term to maturity are included in Note 6.c on liquidity risk.

c) Deposits from other creditors

Details of this caption under "Financial liabilities at amortised cost" in the liabilities section in the accompanying balance sheets, taking into consideration the counterparty and type of financial instrument, are as follows:

By counterparty and type of financial instrument	Thousands of euros 2008	2007
Spanish public administrations	**988,666**	**419,250**
Other resident sectors:	**16,929,102**	**16,618,912**
Demand deposits:	**5,096,186**	**5,792,395**
Current accounts	2,402,038	2,830,036
Savings accounts	2,665,219	2,962,034
Electronic funds	413	325
Other demand deposits	28,516	-
Term deposits:	**11,723,616**	**10,842,384**
Fixed-term deposits	9,558,765	8,211,065
Home buyers' savings accounts	57,639	55,462
Discounted deposits	-	-
Shares issued (Note 7.5.b.4)	2,023,079	2,339,722
Other financial liabilities associated with transferred financial assets	-	-
Hybrid financial liabilities	81,931	234,020
Other term deposits	2,202	2,115
Deposits redeemable at notice	**-**	**-**
Assets sold under repurchase agreements	**-**	**-**
Valuation adjustments	**109,300**	**(15,867)**
Non-resident public administrations	**-**	**-**
Other non-resident sectors	**243,444**	**295,968**
Total	**18,161,212**	**17,334,130**

The balance at 31 December 2008 under “Spanish public administrations” includes a covered bonds issue and a double sale operation (simultaneous) carried out with the Financial Asset Acquisition Fund, pursuant to the provisions of Royal Decree-Law 6/2008 of 10 October, which establishes the Financial Asset Acquisition Fund, and Order EHA/311/2008 of 31 October which implements the abovementioned Royal Decree-Law.

All operations carried out with the Financial Asset Acquisition Fund have taken place during the year 2008.

The details of these issues and operations are as follows:

Date			Thousands of euros		
Issue	Maturity	Nominal	Issue	Interest rate	Hedging
27/11/2008	26/11/2010	Double sale (simultaneous)	155,408	3.51%	
29/12/2008	28/12/2011	Covered bond	244,600	3.95%	E3 + 0.1255%
		Total issues	**400,008**		

The balance of the ‘Fixed-term deposits' caption at 31 December 2008 and 2007 includes various Covered Bond issues pursuant to the provisions of Law 2/1981 of 25 March on Mortgage Market Regulations.

The details of the Covered Bonds issued 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 emisiones	**2.000.000**				

Details of this caption by term to maturity are included in Note 6.c on liquidity risk.

d) Debt certificates including bonds

The details of this caption in the accompanying balance sheets, taking into consideration the type of financial liability, are as follows:

	Thousands of euros	
	2008	2007
Promissory notes and bills	220,605	1,138,987
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	10,809	20,957
Total	**1,031,414**	**1,959,944**

The movement of each type of financial liability during 2008 and 2007 is as follows:

2008	Opening balance	Issues	Repurchases or reimbursements	Exchange rate adjustments and others	Closing balance
	Thousands of euros				
Debt securities issued in a European Union member state, which have required the registration of a prospectus	**1,938,987**	1,405,418	(2,323,800)	-	**1,020,605**
Of which:					
Promissory notes and bills	1,138,987	1,405,418	(2,323,800)	-	220,605
Other non-convertible securities	800,000	-	-	-	800,000

2007	Opening balance	Issues	Repurchases or reimbursements	Exchange rate adjustments and others	Closing balance
	Thousands of euros				
Debt securities issued in a European Union member state, which have required the registration of a prospectus	**912,088**	1,809,697	(782,798)	-	**1,938,987**
Of which:					
Promissory notes and bills	112,088	1,809,697	(782,798)	-	1,138,987
Other non-convertible securities	800,000	-	-	-	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 rate of EURIBOR at three months plus 0.20%, and the straight debt issue in 2006, "Cajamar 2006 Straight Bonds", performed on 14 July for Euros 400,000 thousand, with maturity on 14 July 2011 and a variable interest rate 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 2008 and 2007 correspond to issues performed within a macro promissory notes issue of Euros 1,000,000 thousand as a maximum, and Euros 1,000,000 thousand, increasable to 2,000,000 thousand, respectively. The average interest rate was 4.65% in 2008 and 4.47% in 2007. During 2008 and 2007, amounts of Euros 2,323,800 thousand and 782,798 thousand, respectively, have been written off upon maturity.

Details of this caption by term to maturity are included in Note 6.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:

	Thousands of euros	
	2008	2007
Subordinated debt certificates including bonds:	**300,000**	**360,000**
Convertible	-	-
Non-convertible	300,000	360,000
Subordinated deposits:	**-**	**-**
Resident credit institutions	-	-
Non-resident credit institutions	-	-
Other resident sectors	-	-
Non-resident	-	-
Valuation adjustments	**(652)**	**(555)**
Total	**299,348**	**359,445**

The movement during the years 2008 and 2007 is as follows:

	Thousands of euros	
	2008	2007
Opening balance	**360,000**	**360,000**
Additions	-	-
Disposals	(60,000)	-
Transfers	-	-
Closing balance	**300,000**	**360,000**

The balance of this caption in the accompanying balance sheet corresponds to the bond issue called "Cajamar Subordinated Bonds 2005", performed by the Entity on 16 March 2005 for a nominal amount of Euros 300,000 thousand. The issue matures on 16 March 2015. During this period, interest (EURIBOR at three months plus a 0.30% spread) will accrue, payable in quarterly coupons. The issue was fully subscribed, accepted for trading on the AIAF Fixed-Income Market and awarded a credit rating of A- by Fitch.

The prospectus, prepared in accordance with Circular 2/1991 from the Spanish National Securities Market Commission, was registered with the Official Registry of this authority on 3 March 2005.

During 2008, the issue of the subordinated bonds called "Cajamar Subordinated Bonds 2001" was disposed of in the amount of Euros 60,000 thousand.

No new issues were carried out during 2008 and 2007.

Accrued interest during 2008 and 2007 from the subordinated liabilities came to Euros 18,633 thousand and 16,412 thousand, respectively (Note 24), 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 rated as second category capital adequacy (TIER II) according to letter j), Section , Regulation 8 of Bank of Spain Circular 3/2008 of 22 May.

Details of this caption by term to maturity are included in Note 6.c on liquidity risk.

f) Other financial liabilities

All the financial liabilities recorded in this caption 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 are payables refundable on demand not included under other captions.

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

	Thousands of euros	
	2008	2007
Payables	38,810	71,903
Guarantee deposits received	1,536	1,451
Clearing houses	10,411	13,760
Tax collection accounts	62,656	68,228
Special accounts	125,531	114,032
Financial guarantees (Notes 3.6 and 9)	8,878	10,123
Other items	1	503
Total	**247,823**	**280,000**

8. Hedging derivatives (assets and liabilities)

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

At 31 December 2008 and 2007, the fair value of derivative assets came to Euros 27,506 thousand and 9,390 thousand, respectively, while the fair value of derivative liabilities amounted to Euros 17,922 thousand and 105,512 thousand, respectively.

Derivatives contracted and their hedged items include the following:

- Interest Rate Swap, hedging fixed-rate Deposits from other creditors.
- Equity Swap, hedging Deposits from other creditors that are index-linked to various stock exchanges.
- Embedded derivatives segregated from their main contract, designated as "Deposits from other creditors" hedging instruments for hedge accounting.

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 "Hedging derivatives" for the years ended 31 December 2008 and 2007, classified by counterparty, term to maturity and risk type are as follows:

Thousands of euros

	Notional		Fair value			
			Assets		Liabilities	
By counterparty	2008	2007	2008	2007	2008	2007
Resident credit institutions	439,922	341,501	2,991	4,172	3,547	3,393
Non-resident credit institutions	1,700,000	1,700,000	22,028	-	10,549	91,899
Other resident financial entities	102,894	268,750	2,451	3,947	331	1,897
Other non-resident financial entities	15,640	79,400	36	1,271	328	149
Rest of resident sectors	127,991	219,492	-	-	3,068	7,878
Resto de sectores, No residentes,	4,149	9,169	-	-	99	296
Total	**2,390,596**	**2,618,312**	**27,506**	**9,390**	**17,922**	**105,512**
By term to maturity						
Up to 1 year	386,973	616,966	4,716	9,156	4,104	8,917
Between 1 and 5 years	301,923	224,155	714	234	3,269	3,634
More than 5 years	1,701,700	1,777,191	22,076	-	10,549	92,961
Total	**2,390,596**	**2,618,312**	**27,506**	**9,390**	**17,922**	**105,512**
By type of hedged risk						
Exchange rate risk	4,524	1,162	126	-	107	35
Interest rate risk	2,241,331	2,224,500	25,636	6,227	14,267	95,664
Share risk	144,741	392,650	1,744	3,163	3,548	9,813
Credit risk	-	-	-	-	-	-
Other risks	-	-	-	-	-	-
Total	**2,390,596**	**2,618,312**	**27,506**	**9,390**	**17,922**	**105,512**

9. Contingent exposures

Details of the contingent exposures at year end in 2008 and 2007, whose nominal values are recorded in memorandum accounts, are as follows:

	Thousands of euros	
	2008	2007
Guarantees:		
Financial sureties	276,958	365,457
Other financial guarantees	-	-
Assets earmarked for third-party obligations	-	-
Irrevocable letters of credit:		
Issued	8,026	4,525
Confirmed	-	-
Additional settlement guarantee	-	-
Other granted sureties and securities	426,136	460,875
Other contingent exposures	-	53,029
Total	**711,120**	**883,886**

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 2008 and 2007 amount to Euros 30,878 thousand and 32,430 thousand, respectively (Notes 7.6.f and 15).

The current value of future cash flows pending receipt for these contracts amounts to Euros 32,835 thousand and 33,748 thousand for 2008 and 2007, respectively (Notes 7.5.b and 15).

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 10,112 thousand and 14,132 thousand for 2008 and 2007, respectively (Note 16).

10. Non-current assets held for sale and associated liabilities

The details of this caption in the accompanying balance sheets at 31 December 2008 and 2007 are as follows:

	Thousands of euros			
	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Tangible assets for own use	2,910	-	2,577	-
Investment properties	-	-	-	-
Other assets leased out under an operating lease	-	-	-	-
Assets awarded in foreclosure	101,486	-	1,148	-
Asset impairment adjustment (Note 14)	(926)	-	-	-
Total	**103,470**	**-**	**3,725**	**-**

Details of tangible assets classified by use, without taking into account impairment adjustments, are as follows:

	Thousands of euros							
	Residencial		Industrial		Agricultural		Other	
Tangible Assets	2008	2007	2008	2007	2008	2007	2008	2007
Tangible assets for own use	-	-	2,910	2,577	-	-	-	-
Foreclosed	96,939	648	2,103	276	2,444	224	-	-
Other assets	-	-	-	-	-	-	-	-
Total	**96,939**	**648**	**5,013**	**2,853**	**2,444**	**224**	**-**	**-**

Details of movement recorded in these captions on the balance sheet, without taking into account impairment loss, during 2008 and 2007 are as follows:

	Thousands of euros			
	Tangible assets for own use		Foreclosed	
	Assets	Liabilities	Assets	Liabilities
Balance at 31 December 2006	**2,224**	**-**	**163**	**-**
Incorporation of Caja Rural del Duero	-	-	138	-
Additions	-	-	850	-
Disposals	(1,193)	-	(3)	-
Transfers (Note 12)	1,546	-	-	-
Balance at 31 December 2007	**2,577**	**-**	**1,148**	**-**
Additions	-	-	103,608	-
Disposals	-	-	(11)	-
Transfers (Note 12)	333	-	(3,259)	-
Balance at 31 December 2008	**2,910**	**-**	**101,486**	**-**

During 2008, the Entity transferred certain tangible assets for own use to this caption, mainly business premises whose carrying value is expected to be recovered on disposal, for the net amount of Euros 333 thousand (Euros 1,546 thousand in 2007).

The fair value of the assets recorded in this caption at 31 December 2008 and 2007, based on the valuations carried out by appraisal agencies applying the comparison method, is as follows:

	Thousands of euros			
	Fair value		Carrying value	
	2008	2007	2008	2007
Tangible assets for own use	3,940	3,315	2,910	2,577
Foreclosed	111,558	9,534	101,486	1,148
Total	**115,498**	**12,849**	**104,396**	**3,725**

During 2008, there have been no significant disposals in assets foreclosed in payment of debts.

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

No loans have been granted for financing sales of foreclosed tangible assets of the Entity during 2008 (Euros 179 thousand in 2007). The average financed percentage of total foreclosed assets sold at 31 December 2007 was 8.91%. At 31 December 2008, no earnings resulting from the sale of these types of assets remain pending recognition.

11. Investments

This caption from the accompanying balance sheets is detailed as follows:

	Thousands of euros	
	2008	2007
Associates	**44,540**	**48,804**
Securities held by the entity	61,407	57,103
Of which: At credit institutions	-	-
Valuation adjustments:		
Asset impairment adjustments	(16,867)	(8,299)
Micro-hedging operations	-	-
Jointly-controlled entities	**40**	**40**
Securities held by the entity	300	300
Of which: At credit institutions	-	-
Valuation adjustments:		
Asset impairment adjustments	(260)	(260)
Micro-hedging operations	-	-
Group entities	**28,157**	**28,379**
Securities held by the entity	63,361	50,026
Of which: At credit institutions	-	-
Valuation adjustments:		
Asset impairment adjustments	(35,204)	(21,647)
Micro-hedging operations	-	-
Total	**72,737**	**77,223**

At year end in 2008 and 2007, "Investments" only include unquoted securities and, without taking into account the valuation adjustments corresponding to asset impairment adjustments, reflect the following movements:

Cost of investments	Thousands of euros 2008	2007
Opening balance	**107,429**	**101,979**
Additions	27,981	12,781
Disposals	(10,342)	(7,331)
Transfers	-	-
Closing balance	**125,068**	**107,429**

Appendix I includes the breakdown and relevant information regarding investments at 31 December 2008 and 2007.

The most significant movements in the “Investments" caption during 2008 correspond to the capital increases in the companies Albaida Recursos Naturales y Medioambiente, S.A., Albaida Residuos, S.L. and Parque Científico-Tecnológico de Almería, S.A. in the amounts of Euros 11,335, 10,342 and 1,800 thousand, respectively. Contributions have also been made for the setting up of the companies Cimenta2 Gestión e Inversiones, S.L.U. and Cajamar Seguros Generales, S.A. de Seguros y Reaseguros in the amounts of Euros 2,000 thousand and 2,254 thousand, respectively.

The disposals of the period correspond to the final disencumbrance carried out in the amount of Euros 10,342 thousand in relation to the investment in Albaida Residuos, S.L.

The most significant additions during 2007 corresponded to the capital increases in the companies Cajamar Gestion, S.G.I.I.C, S.A. and Grupo Hispatec Soluciones Globales, S.L.U., for Euros 1,000 thousand and 5,378 thousand, respectively.

Furthermore, additions for the year 2007 under the "Investments" caption included 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 Espana, 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, as well as a put option in favour of Generali Espana, 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 4,366 and 9,777 thousand in 2008 and 2007, respectively.

Movements during 2008 and 2007 in the valuation adjustments corresponding to asset impairment adjustments in this caption of the accompanying balance sheet caption are as follows:

	Thousands of euros	
	2008	2007
Opening balance	**(30,206)**	**(19,886)**
Provisions for the period (Note 24)	(32,943)	(7,466)
Recovered funds (Note 24)	476	1,264
Write-offs due to use, transfers and others	10,342	(4,118)
Closing balance	**(52,331)**	**(30,206)**

Provisions for the year 2008 corresponding primarily to the impairment recorded in the companies Albaida Recursos Naturales y Medioambiente, S.A., Albaida Residuos, S.L., Grupo Inmobiliario Aguamar, S.L. and Sunaria Capital, S.L.U.

The write-offs carried out in 2008 correspond to the final disencumbrance carried out in relation to the investment in Albaida Residuos, S.L.

Provisions recorded in 2007 mainly corresponded to the impairment registered in the companies Grupo Inmobiliario Aguamar, S.L. and Albaida Residuos, S.L. 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.U.

Yields on "Investments" at 31 December 2008 and 2007 amount to Euros 19 thousand and 196 thousand (Note 24), respectively.

The caption "Loans and advances to other debtors - Valuation adjustments" includes amounts of Euros 2,121 thousand and 4,100 thousand at 31 December 2008 and 2007, respectively, corresponding to profits generated on the sale of investments pending recording, derived from the financing of the aforementioned sale transactions.

12. Tangible assets

Details of this caption in the balance sheets at 31 December 2008 and 2007 are as follows:

	Thousands of euros	
	2008	2007
Own use	380,790	335,232
Investment properties	72,957	9,958
Other assets leased out under an operating lease	54	331
Assigned to the Education and Development Fund (Note 19)	3,590	3,558
Impairment adjustments	-	(346)
Total	**457,391**	**348,733**

The breakdown of tangible assets for own use registered in this balance sheet caption and the movements during 2008 and 2007, in this caption, are as follows:

For own use	IT equipment	Furniture, Fixtures and Other	Buildings	Buildings under construction	Other property	Total
	Thousands of euros					
Cost						
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**
Additions	5,667	12,696	4,212	48,756	1,685	73,016
Disposals	(6,004)	(1,107)	(351)	(121)	-	(7,583)
Transfers	1,568	4,351	6,996	(11,459)	686	2,142
Balance at 31 December 2008	**95,554**	**238,755**	**211,514**	**73,818**	**4,200**	**623,841**
Accumulated Depreciation						
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)**
Additions	(7,756)	(17,786)	(2,944)	-	(49)	(28,535)
Disposals	5,594	817	98	-	-	6,509
Transfers	(6)	33	(18)	-	-	9
Balance at 31 December 2008	**(74,263)**	**(143,548)**	**(25,073)**	**-**	**(167)**	**(243,051)**
Impairment losses						
Balance at 31 December 2006	**-**	**-**	**(291)**	**-**	**-**	**(291)**
Incorporation of Caja Rural del Duero	-	-	(82)	-	-	(82)
Additions	-	-	-	-	-	-
Disposals	-	-	27	-	-	27
Write-offs due to use, transfers and others	-	-	-	-	-	-
Balance at 31 December 2007	**-**	**-**	**(346)**	**-**	**-**	**(346)**
Additions	(409)	(260)	-	-	-	(669)
Disposals	-	-	346	-	-	346
Write-offs due to use, transfers and others	409	260	-	-	-	669
Balance at 31 December 2008	**-**	**-**	**-**	**-**	**-**	**-**

The breakdown of investment properties, operating leases and assets assigned to the Education and Development Fund registered in this balance sheet caption and the movements during 2008 and 2007, in this caption, are as follows:

	Thousands of euros				
	Investment properties			Assigned to the Education and Development Fund	
	Buildings	Properties, plots and sites	Other assets leased out under an operating lease	Furniture and Fixtures	Property
Cost					
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**
Additions	61,219	1,437	-	65	234
Disposals	(82)	-	(633)	-	(21)
Transfers	749	-	-	-	-
Balance at 31 December 2008	**72,996**	**1,984**	**151**	**1,770**	**4,994**
Accumulated Depreciation					
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)**
Additions	(413)	-	(63)	(66)	(180)
Disposals	71	-	419	-	-
Transfers	18	-	-	-	-
Balance at 31 December 2008	**(2,023)**	**-**	**(97)**	**(1,350)**	**(1,824)**

There were no impairment losses on assets classified as investment properties and operating leases during 2008 or 2007.

During 2008, there have been no significant sales of “Tangible assets”, which have generated capital gains of Euros 2,124 thousand (Euros 5,133 thousand at 31 December 2007) (Note 24).

At 31 December 2008, there were Euros 8,972 thousand in profit pending recognition, which originated from the financing of sales during the year 2006 of certain assets classified as investment properties.

At 31 December 2008, the Entity had commitments to purchase tangible assets for Euros 21,219 thousand (Euros 20,176 thousand at 31 December 2007).

Fully depreciated tangible assets still in use by the Entity at 31 December 2008 amounted to Euros 119,107 thousand (Euros 99,903 thousand at 31 December 2007).

Property for own use and investment properties are as follows:

	Thousands of euros			
	Fair value		Carrying value	
	2008	2007	2008	2007
Property for own use (*)	229,566	215,029	190,474	178,102
Investment properties (*)	82,539	16,127	72,957	9,411
Total	**312,105**	**231,156**	**263,431**	**187,513**

(*) These assets were appraised in 2007 by appraisal agencies using the comparison method. In 2008, the fair value of "Other" under Property for own use and of "Sites" under Investment properties has been included.

Income on the rental of investment properties during 2008 and 2007 has amounted to Euros 1,116 thousand and 675 thousand (Note 24), respectively. Likewise, operating expenses corresponding to these investments were, for the aforementioned years, Euros 65 thousand and 73 thousand (Note 24), respectively.

13. Intangible assets

Details of this caption in the balance sheets at 31 December 2008 and 2007 are as follows:

		Thousands of euros	
	Estimated useful life	2008	2007
With indefinite useful life	-	-	-
With finite useful life:			
Computer applications	3 years	62,951	54,562
Government concessions	20 years	17,946	-
Gross Total		**80,897**	**54,562**
Of which:			
Developed in-house	-	-	-
Other	3 - 20 years	80,897	54,562
Accumulated amortisation	-	(48,649)	(43,492)
Impairment losses	-	-	-
Net Total		**32,248**	**11,070**

The movement of the intangible assets with a finite useful life included in this caption of the balance sheet throughout the years 2008 and 2007 has been as follows:

	Thousands of euros	
	2008	2007
Cost		
Opening balance	54,562	46,810
Incorporation of Caja Rural del Duero	-	14
Additions	26,297	7,796
Disposals	-	(58)
Other	38	-
Closing balance	80,897	54,562
Amortisation		
Opening balance	(43,492)	(38,205)
Incorporation of Caja Rural del Duero	-	(2)
Additions	(5,132)	(5,285)
Disposals	-	-
Other	(25)	-
Closing balance	(48,649)	(43,492)
Impairment losses		
Opening balance	-	-
Additions	-	-
Disposals	-	-
Other	-	-
Closing balance	-	-
Net Total	32,248	11,070

Fully amortised intangible assets still in use by the Entity at 31 December 2008 amounted to Euros 41,403 thousand (37,263 thousand at 31 December 2007).

14. Impairment adjustments to rest of assets

Details of the movements in non-financial asset impairment adjustments during 2008 and 2007 are as follows:

Year 2008 By asset type	Thousands of euros Inventories	Investments	Tangible assets	Total
Opening balance - specific provision	**-**	**(30,206)**	**(346)**	**(30,552)**
Charges to profit and loss for the year (Notes 11, 12, 15 and 24)	(8,729)	(32,943)	(669)	(42,341)
Recovered funds (Notes 11, 12, 15 and 24)	-	476	346	822
Write-offs due to use, transfers and others	**-**	**10,342**	**669**	**11,011**
Closing balance - specific provision	**(8,729)**	**(52,331)**	**-**	**(61,060)**

Year 2007 By asset type	Thousands of euros Inventories	Investments	Tangible assets	Total
Opening balance - specific provision	**-**	**(19,886)**	**(291)**	**(20,177)**
Charges to profit and loss for the year (Notes 11, 12, 15 and 24)	-	(7,466)	-	(7,466)
Incorporation of Caja Rural del Duero	-	-	(82)	(82)
Recovered funds (Notes 11, 12, 15 and 24)	-	1,264	-	1,264
Write-offs due to use, transfers and others	-	(4,118)	27	(4,091)
Closing balance - specific provision	**-**	**(30,206)**	**(346)**	**(30,552)**

Impairment losses on investments

In order to calculate impairment losses, the Entity compares the recoverable value (i.e. the greater amount between fair value less the necessary sale costs and use value) with its carrying value (Note 3.8).

Provisions for the year 2008 correspond primarily to the impairment recorded in the companies Albaida Recursos Naturales y Medioambiente, S.A., Albaida Residuos, S.L., Grupo Inmobiliario Aguamar, S.L. and Sunaria Capital, S.L.U. Provisions for the year 2007 correspond primarily to the impairment recorded in the companies Grupo Inmobiliario Aguamar, S.L. and Albaida Residuos, S.L. (Note 11).

Tangible assets and Inventories

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, 3.25, 12 and 15).

15. Rest of assets and liabilities

The details of the balance of these captions in the assets and liabilities sections on the accompanying balance sheets for the years 2008 and 2007 are as follows:

	Thousands of euros	
Rest of assets	2008	2007
Prepayments and accrued income	11,568	32,069
Inventories:		
Amortised cost	210,220	-
Asset impairment adjustments (Note 14)	(8,729)	-
Other:		
Net assets in pension plans (Note 16)	2,926	4,889
Operations in transit	25,497	31,379
Assets from non-financial guarantees (Notes 3.26 and 9)	23,323	22,902
Other items	10,991	8,267
Total	**275,796**	**99,506**
Rest of liabilities		
Prepayments and accrued income	23,177	22,625
Other:		
Operations in transit	83,450	21,977
Liabilities from non-financial guarantees (Notes 3.26 and 9)	22,000	22,307
Other items	4,878	2,821
Total	**133,505**	**69,730**

The caption "Inventories" includes the balances of assets, including land and other properties, which are to be sold during the ordinary course of business.

16. Provisions

Details of this caption in the balance sheets at 31 December 2008 and 2007 are as follows:

	Thousands of euros	
	2008	2007
Pension fund and similar obligations	21,150	12,547
Provisions for taxes and other legal contingencies	-	-
Provisions for contingent exposures and commitments (Note 9)	10,112	14,132
Other provisions	54,123	66,137
Total	**85,385**	**92,816**

Pension fund and similar obligations

Details of the asset and liability items which correspond to defined benefit pension commitments are as follows:

	Thousands of euros	
	2008	2007
Rest of assets - Net assets in pension plans (Note 15)	2,926	4,889
Provisions - Pension fund and similar obligations	21,150	12,547

The current value of the commitments, based on the assumptions set forth in Note 3.21., which have been undertaken by Entity 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					
	2008			2007		
	Active and retired personnel	Early retirement	Other commitments	Active and retired personnel	Early retirement	Other commitments
Current value of obligations:						
Commitments to active staff	22,290	-	-	28,545	-	-
Commitments to early-retired staff	-	21,150	-	-	12,242	305
Commitments to retired personnel	13,025	-	-	10,915	-	-
Fair value of plan assets (-):						
Pension Plan Assets	(24,147)	-	-	(34,594)	-	-
Insurance Policy	(11,374)	-	-	(11,917)	-	-
Actuarial profit not recognised in the balance sheet (+)	-	-	-	17	-	-
Actuarial losses not recognised in the balance sheet (-)	(1,971)	-	-	-	-	-
Cost of past services not yet recognised in the balance sheet (-)	(951)	-	-	-	-	-
Other assets not recognised in the balance sheet	202	-	-	2,145	-	-
(Rest of assets) / Provisions recognised in the balance sheet	**(2,926)**	**21,150**	**-**	**(4,889)**	**12,242**	**305**

Details of movement in net assets and liabilities during the year, recognised in the balance sheet, are as follows:

	Thousands of euros					
	2008			2007		
	Active and retired personnel	Early retirement	Other commitments	Active and retired personnel	Early retirement	Other commitments
(Rest of assets) / Provisions - opening balance for the year	**(4,889)**	**12,242**	**305**	**(5,660)**	**4,429**	**306**
Incorporation of Caja Rural del Duero	-	-	-	(124)	-	-
Provisions	3,907	12,390	-	5,884	10,480	-
Recovered funds	-	-	-	-	-	-
Other movements	-	305	(305)	-	-	(1)
Cash outflow	(1,944)	(3,787)	-	(4,989)	(2,667)	-
(Rest of assets) / Provisions - closing balance for the year	**(2,926)**	**21,150**	**-**	**(4,889)**	**12,242**	**305**

The breakdown of total expenses and income recognised in the income statement in relation to pensions during 2008 and 2007, distributed between the different items in accordance with Bank of Spain Circular 4/2004, is as follows:

	Thousands of euros	
	2008	2007
Personnel expenses (ordinary cost for the period) (Note 24)	(1,398)	(1,217)
Interest expense and similar charges (cost of interest) (Note 24)	(2,011)	(1,570)
Interest and similar earnings (earnings from Plan assets) (Note 24)	1,715	1,744
Provisions (Note 24):		
Payments to pensioners	(103)	(34)
Actuarial gains and losses	(4,999)	(4,532)
Cost of past services	(106)	-
Other (settlement reduction effect)	(9,498)	(10,789)
Accounting (expense) / income	**(16,400)**	**(16,398)**

The contributions made by the Entity to the external pension fund during 2008 and 2007 in relation to defined contribution pension commitments amounted to Euros 4,358 thousand and 2,681 thousand and are booked under "Personnel expenses" in the income statements for these years (Note 24).

Provisions for contingent exposures and commitments

The details of this balance sheet caption and the movements which occurred during 2008 and 2007 are as follows:

	Thousands of euros		
	Specific Hedges	General Hedges	Total
Balance at 31 December 2006	**2,853**	**11,870**	**14,723**
Provisions (Note 24)	913	232	1,145
Recoveries (Note 24)	(1,866)	(703)	(2,569)
Incorporation of Caja Rural del Duero	352	481	833
Other movements	-	-	-
Balance at 31 December 2007	**2,252**	**11,880**	**14,132**
Provisions (Note 24)	1,453	-	1,453
Recoveries (Note 24)	(218)	(5,271)	(5,489)
Other movements	16	-	16
Balance at 31 December 2008	**3,503**	**6,609**	**10,112**

This caption includes the amount of 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 9).

Other provisions

The movement of this account during the years 2008 and 2007 is as follows:

	Thousands of euros			
Year 2008	Market	Sundry	Other responsibilities	Total
Opening balances	**20,066**	**15,700**	**30,371**	**66,137**
Provisions (Note 24)	8,806	1,441	9,451	19,698
Recovered funds (Note 24)	-	(12,900)	(5,588)	(18,488)
Funds used and other changes	(6,043)	(469)	(6,712)	(13,224)
Closing balances	**22,829**	**3,772**	**27,522**	**54,123**

	Thousands of euros			
Year 2007	Market	Sundry	Other responsibilities	Total
Opening balances	**11,333**	**14,756**	**32,111**	**58,200**
Provisions (Note 24)	12,916	1,691	9,339	23,946
Recovered funds (Note 24)	-	(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**

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

- Market risks, 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 an outlay to be probable.
- Other responsibilities, estimate of probable outlays derived from the Entity's normal activity.

The most significant movement which occurred in 2008 was the recovery, under the “Sundry risks” section, of the provisions related to contentious matters held by the Entity. Once these matters were settled, the provisions became available and were applied to other hedges.

17. 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 7.4.d).

The movement during the years 2008 and 2007 is as follows:

	Thousands of euros	
	2008	2007
Opening balance	23,115	22,513
Net changes in the fair value of debt securities	(1,878)	(477)
Net incorporation of debt securities from Caja Rural del Duero	-	(124)
Net changes in the fair value of equity instruments	5,112	3,363
Net incorporation of equity instruments from Caja Rural del Duero	-	1,093
Sale of available-for-sale financial assets	(19,118)	(3,253)
Deferred tax adjustment, Law 35/2006	-	-
Closing balance	**7,231**	**23,115**

Changes in the fair value of debt securities 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.

18. Capital (Equity) and Capital refundable on demand (Liabilities)

Movement in these captions during the years 2008 and 2007 is as follows:

	Thousands of euros	
	2008	2007
Opening balance:		
Capital booked under Equity (1)	528,951	462,933
Capital refundable on demand booked under Liabilities (2)	94,155	86,699
Total subscribed capital (1) + (2)	**623,106**	**549,632**
Increases	391,247	131,107
Decreases	(190,855)	(86,233)
Incorporation of Caja Rural del Duero	-	28,600
Closing balance:		
Total subscribed capital (3) + (4)	**823,498**	**623,106**
Capital booked under Equity (3)	678,342	528,951
Capital refundable on demand booked under Liabilities (4)	145,156	94,155

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 2008 and 2007, the total subscribed capital was Euros 145,156 thousand and 94,155 thousand, respectively, recorded under "Capital refundable on demand" in accordance with the new regulatory framework defined in Circular 4/2004 and subsequent modifications (Note 3.2).

The share capital is variable and 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% of this capital for private individuals and 5% for legal entities. At 2008 year end, the majority contribution amounted to 0.002% of the share capital, whilst at year end 2007 it came to 0.001%.

Capital contributions are remunerated in accordance with the decision of the Members at the General Assembly, subject to the limits set by prevailing legislation at all times. During the current year, interest was paid, charged to 2007 surplus, in the amount of Euros 24,391 thousand and interest of Euros 41,594 thousand was booked, paid on account at year end (Note 5), of which Euros 6,164 thousand corresponding to settlement of "Capital refundable on demand" were taken to the income statement (Notes 5 and 24) and Euros 35,430 thousand to Equity on the balance sheet.

19. Reserves

At 31 December 2008 and 2007, the details of the Accumulated reserves balance under the "Equity" caption in the accompanying balance sheets are as follows:

	Thousands of euros	
	2008	2007
Mandatory Reserve Fund	909,724	818,856
Revaluation Reserves - Royal Decree-Law 7/1996	2,814	2,814
Revaluation reserves generated by Bank of Spain Circular 4/2004	57,518	57,518
Other reserves	26,355	26,355
Voluntary Reserve Fund	52,944	41,684
Retained earnings incorporated from Caja Rural del Duero	-	6,007
Total	**1,049,355**	**953,234**

Movement during 2008 and 2007 in reserves as a whole is as follows:

	Thousands of euros	
	2008	2007
Opening balance	**953,234**	**804,374**
Increase in reserves (distribution of prior year's profit)	102,128	92,176
Incorporation of Caja Rural del Duero	-	50,677
Retained earnings incorporated from Caja Rural del Duero	(6,007)	6,007
Closing balance	**1,049,355**	**953,234**

Mandatory Reserve Fund

The objective of this Fund is to consolidate and secure 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 stipulate that 80% of the income from each year will be allocated to the Mandatory Reserve Fund.

Revaluation Reserves - Royal Decree-Law 7/1996 of 7 June

The balance of this caption, which has not varied during 2008 and 2007, 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 absorbed entity, Caja Rural de Málaga, Sociedad Cooperativa de Crédito (Note 1.1).

As of the date on which the Spanish Tax Authority verifies and accepts the balance in "Revaluation Reserve - Royal Decree-Law 7/1996", or the 3-year period open for its verification has elapsed, this balance may be used, without accruing tax, to offset losses from prior years, as well as those from the year in progress and future years. This balance can be allocated to 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 will be subject to taxation.

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 Reserve Fund.

This reserve can be used, tax free, to increase share capital.

Revaluation reserves generated due to Bank of Spain Circular 4/2004.

The balance of this account corresponds to the reserve generated due to the revaluation of tangible assets carried out pursuant to the First Temporary Provision, Section B, of Bank of Spain 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 institutions should have a capital adequacy exceeding that which is obtained by applying the instructions set forth in this legislation. Compliance with the capital adequacy rate shall be carried out at a consolidated level. At 31 December 2008 and 2007, the details of the Entity's capital adequacy and capital requirements, taking into account the distribution of profits (Note 5), according to regulations applicable on the aforementioned dates, are as follows:

	Thousands of euros	
	2008	2007
Capital adequacy	1,867,119	1,611,896
Tier two eligible capital	533,730	573,631
Deductions	(22,342)	(36,460)
Total eligible capital base	**2,378,507**	**2,149,067**
Total eligible capital requirements	**1,513,068**	**1,524,298**
Eligible capital surplus/deficit	**865,467**	**624,769**
Solvency ratio	**12.6%**	**11.3%**

Moreover, in accordance with the information obligations applicable to Mixed Groups as per Section 13 of Bank of Spain Circular 3/2008, Regulation 124, the Entity has presented the additional capital adequacy information for the Mixed Group, comprised of the Entity and its subsidiary Cajamar Vida, S.A. de Seguros y Reaseguros, leading to an increase in the surplus eligible capital in excess of the minimum requirement stated in the abovementioned regulation by Euros 17,712 thousand and 4,685 thousand at 31 December 2008 and 2007, respectively.

20. Education and Development Fund

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

- Training and education of Entity members and employees with regard to cooperative principles and values, as well as the promotion of the cooperative movement socially and rurally, and other cooperative actions of a sociocultural nature
- Promotion of activities to spread 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 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 2008 and 2007 are the following:

- Through the Cajamar Foundation's Experimental Station, research activities related to greenhouse crop optimisation and 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 research and experimentation. In 2008, the Foundation has started up projects to improve environmental efficiency and promote renewable energies.
- The activities carried out through the Cajamar Foundation's Institute of Studies include research projects and sector studies, reports and monograph publications, technical courses and seminars, as well as sociocultural events. Their aim is 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, as well as 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 aid for non-profit institutions and associations.

- In 2008, intense work has been carried out through the Education and Development Fund to support and promote corporate volunteering, leading to a greater commitment on the part of the Entity and the individuals who comprise it with the local communities. This support has also become a commitment with certain international cooperation and humanitarian aid projects.

- Moreover, support is still being provided to the University of Almeria with the signing of a collaboration agreement, as well as with the Acremar workers' association, for programmes and initiatives aimed at economic, social and cultural development.

The management of the Education and Development Fund is the responsibility of the Entity's Governing Board or the individuals appointed by it for specific actions. Its members draw up a budget proposal based on the purposes set forth in the general lines of application of the fund, which is submitted for the approval of the Entity's annual ordinary Meeting of the Members. 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 presented to be subsidised with Education and Development Fund resources are evaluated, and then accepted or rejected accordingly.

The itemised breakdown of the balances related to the Entity's Education and Development Fund, at 31 December 2008 and 2007, is the following:

	Thousands of euros	
Application of the Education and Development Fund	2008	2007
Tangible assets:	**3,590**	**3,558**
Cost	6,764	6,486
Accumulated depreciation	(3,174)	(2,928)
Asset impairment adjustments	-	-
Other debtor balances	**-**	**-**
Total	**3,590**	**3,558**
Education and Development Fund		
Appropriation:	**5,828**	**7,306**
Applied to tangible assets (Note 12)	3,590	3,558
Applied to other investments	-	-
Expense commitments undertaken during the year	11,522	11,482
Maintenance expenses for the year in progress	(12,475)	(10,429)
Amount not committed to	-	-
Surplus	3,191	2,695
Revaluation reserves	**-**	**-**
Other liabilities	**-**	**-**
Total	**5,828**	**7,306**

The Education and Development Fund's expenses and investments budget for 2008 amount to Euros 11,522 thousand (Euros 11,482 thousand in 2007).

The movement in tangible assets related to the Education and Development Fund is detailed in Note 12.

Movement in the Fund during 2008 and 2007 is as follows:

	Thousands of euros	
	2008	2007
Opening balance	7,306	6,253
Distribution of surplus for the year (Note 5)	11,522	10,241
Incorporation of Caja Rural del Duero	-	1,241
Maintenance expenses for the year	(12,475)	(10,429)
Other	(525)	-
Closing balance	5,828	7,306

21.Transactions with related parties

For risk operations with related parties, the Entity has developed procedures for granting, authorising and monitoring this type of operation using transparency criteria set forth in its Manual of Policies and Procedures for Credit Risk Management and Control (Note 6.a).

At 31 December 2008 and 2007, the Entity's balances generated as a result of transactions with associated parties are as follows:

	Thousands of euros									
	Jointly-controlled entities		Subsidiaries		Associates		Board Members and Directors			
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
							Direct		Indirect	
ASSETS										
Loans	-	-	13,352	99,393	25,488	68,000	3,946	4,893	69,731	56,822
Credit risk hedges (-)	-	-	(334)	(2,485)	(637)	(1,700)	(60)	(47)	(1,803)	(1,457)
Investments	300	300	63,361	50,026	61,407	57,103	-	-	-	-
Investment provisions (-)	(260)	(260)	(35,204)	(21,647)	(16,867)	(8,299)	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
LIABILITIES										
Term deposits	-	-	1,702	-	24,702	1,104	1,237	1,582	14,187	2,106
Other demand deposits	2	4	10,766	10,102	5,963	8,586	579	1,502	10,020	11,505
MEMORANDUM ACCOUNTS										
Financial guarantees	500	500	1,469	8,568	2,829	12,400	43	32	13,185	12,364
Available	-	-	3,595	58,662	7,855	5,625	135	265	41,532	15,485
INCOME STATEMENT										
Income:										
Interest and similar income	-	-	178	178	602	231	168	118	2,748	1,024
Income from variable income portfolio	-	-	-	-	-	-	-	-	-	-
Fee and commission income	-	-	299	22	115	65	3	-	219	97
Other products	-	-	16,270	7,052	1,843	3,721	-	-	-	-
Expenses:										
Interest expense and similar charges	-	-	194	9	316	166	63	84	544	309
Fee and commission expense	-	-	-	-	-	-	-	-	-	-
Other expenses	-	-	14,517	19,228	1,550	653	-	-	-	-

Details of credit risks and off-balance sheet exposures assumed at 31 December 2008 and 2007 with parties related to the Entity are as follows:

Outstanding balances	Thousands of euros Related Parties 2008	2007
Loans:		
Amount	183,160	342,509
Interest rate	2.01% to 8.75%	2.30% to 12.44%
Guarantee	Personal and mortgage	Personal and mortgage
Residual term to maturity	1 to 40 years	1 to 42 years
Deposits:		
Amount	69,156	36,487
Interest rate	0.10% - 8.81%	0.10% - 5.60%
Residual term to maturity	1 to 2 years	1 to 2 years

22. Remunerations of the Governing Board and Directors

Remuneration accrued by the Entity's Governing Board members and the members of the Management Committee in 2008 and 2007 is as follows:

Governing Board	Thousands of euros 2008	2007
Remuneration item:		
Fixed remuneration	1,487	1,373
Variable remuneration	24	24
Allowances	13	13
Directors' fees	-	-
Operations related to shares and/or other financial instruments	-	-
Other	-	-
Total	**1,524**	**1,410**
Other social benefits		
Advances	23	30
Loans granted	17	-
Pension funds and plans: Contributions	34	44
Pension funds and plans: Undertaken obligations	-	-
Life insurance premiums	-	-
Guarantees established in favour of the Board Members	-	-
Directors		
Total remunerations received by directors	**731**	**2,079**

Thousands of euros

Governing Board	Fixed remuneration		Allowances		Social Security expenses		Compensation for terminationof employment		Post-employment benefits	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Mr. Antonio Pérez Lao	39.19	36.42	-	-	-	-	-	-	-	-
Mr. Juan de la Cruz Cárdenas Rodríguez	36.22	36.42	-	-	-	-	-	-	-	-
Mr. Francisco Colomer de la Oliva	30.29	36.42	-	-	-	-	-	-	-	-
Mr. Luis de la Maza Garrido	36.22	35.29	-	-	-	-	-	-	-	-
Mr. José Sebastián Millaruelo Aparicio (1)	17.22	13.90	-	-	-	-	-	-	-	-
Mr. Ángel Lirola Suárez	37.41	36.98	4.24	3.41	-	-	-	-	-	-
Mr. Francisco Lorente Brox	38.60	36.98	4.46	4.37	-	-	-	-	-	-
Mr. Ramón Aliaga Carrión	13.66	15.37	0.57	0.59	-	-	-	-	-	-
Mr. Antonio Luque Luque	39.20	40.80	3.06	3.15	-	-	-	-	-	-
Mr. Francisco Belmonte López	13.66	14.23	-	-	-	-	-	-	-	-
Mr. José Manuel Moreno Ferreiro	19.60	20.88	-	-	-	-	-	-	-	-
Mr. Francisco Elias Góngora Cañizares	16.63	15.37	-	-	-	-	-	-	-	-
Mr. José Antonio Santorromán Lacambra	19.60	16.49	-	-	-	-	-	-	-	-
Mr. Agustín Miguel Sánchez Martínez	14.25	14.23	1.17	1.12	-	-	-	-	-	-
Mr. Rodrigo Muñoz Rodríguez	11.28	12.52	-	-	-	-	-	-	-	-
Mr. Miguel Zapata Miranda (2)	-	15.35	-	0.17	-	-	-	-	-	-
Total	**383.03**	**397.65**	**13.50**	**12.82**	**-**	**-**	**-**	**-**	**-**	**-**

(1) Member of the Governing Board following the merger with Caja Rural del Duero
(2) Member of the Governing Board up to the merger with Caja Rural del Duero

Thousands of euros

Directors	Fixed remuneration		Allowances		Social Security expenses		Compensation for terminationof employment		Post-employment benefits	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Directors	686.26	1,889.30	28.86	116.64	26.29	122.70	-	-	16.18	73.41
Members of the Governing Board	1,104.54	974.76	23.92	24.46	29.70	30.72	-	-	34.24	44.28
Total	**1,790.80**	**2,864.06**	**52.78**	**141.10**	**55.99**	**153.42**	**-**	**-**	**50.42**	**117.69**

The line "Directors" in the table above for 2008 includes remuneration to four Board members for their work as directors and to three CEOs. In 2007, the "Directors" line includes remuneration paid to four Board members for their work as directors as well as to six CEOs, three Deputy CEOs and three Directors.

23. Income tax

Details of the Tax Assets and Liabilities captions at 31 December 2008 and 2007, respectively, are as follows:

Thousands of euros

	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Current	63,628	-	326	13,222
Deferred	103,045	50,329	113,624	55,634
Total	**166,673**	**50,329**	**113,950**	**68,856**

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 amounts 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.

Details of the deferred tax assets and liabilities recorded in the balance sheet at 31 December 2008 and 2007 are as follows:

	Thousands of euros	
	2008	2007
Timing differences:	**89,053**	**113,624**
Goodwill on asset acquisition	809	877
Impairment losses on available-for-sale financial assets	5,434	2,351
Pension funds and other insurance	4,227	4,135
Unaccrued commissions (BoS C. 4/2004)	3,207	4,121
Early retirement and termination fund	2,360	3,247
Loan impairment losses	56,605	79,675
Funds and provisions made	14,695	17,985
Business combination	1,057	1,163
Under-valuation of available-for-sale financial assets	608	-
Other	51	70
Credit for losses to be offset from the year	**8,365**	**-**
Entitlements to deductions and allowances pending application	**5,627**	**-**
Total deferred tax assets	**103,045**	**113,624**
Timing differences:		
Revaluation of property	29,399	28,938
Revaluation of available-for-sale financial assets	3,880	9,887
Other revaluation reserves	382	382
Special depreciation and others	16,668	16,427
Total deferred tax liabilities	**50,329**	**55,634**

No tax assets exist on account of positive timing differences, tax loss carryforwards or tax credits which remain unrecorded at 31 December 2008 and 2007.

The reconciliation between the year's income and the taxable income corresponding to the years 2008 and 2007 is as follows:

	Thousands of euros	
	2008	2007
Income for the year, before the income tax	**134,245**	**131,630**
Increases due to permanent differences	157	5
Decreases due to permanent differences	(77,788)	(66,674)
Adjusted income	**56,614**	**64,961**
Increases due to timing differences taken to Profit and Loss	51,668	89,685
Decreases due to timing differences taken to Profit and Loss	(133,143)	(6,074)
Taxable income	**(24,861)**	**148,572**

	Thousands of euros			
	2008		2007	
	Accrued tax	Tax liability	Accrued tax	Tax liability
Tax:				
On adjusted income	12,000	-	16,223	-
On taxable income	-	-	-	38,711
Credits	(5,627)	-	(3,555)	(3,555)
Rate updating adjustment	1,851	-	-	-
Expense / Tax rate	**8,224**	**-**	**12,668**	**35,156**
Prior years' income tax adjustment	(564)	-	(620)	-
Deferred tax adjustment, Law 35/2006	-	-	(1,018)	-
Withholdings	-	(132)	-	(536)
Payment by instalments	-	(15,776)	-	(21,627)
Expense / Tax payable	**7,660**	**(15,908)**	**11,030**	**12,993**

The Entity has applied the tax deductions and credits in relation to its Income Tax liability. Moreover, a deduction was generated, amongst others, for reinvestment of extraordinary profits on income in 2008 and 2007 of Euros 35,982 thousand and Euros 9,063 thousand, respectively, which have been fully reinvested each year. The deductions generated in 2008 are pending application as the tax due was less than the amount withheld.

Regardless of the income tax payable as per the income statements for 2008 and 2007, the Entity has included the following amounts in its equity (deferred taxes) under the items described below:

	Thousands of euros	
	2008	2007
Revaluation of Tangible Assets	29,399	28,938
Variable Income Securities at Fair Value	3,880	9,880
Fixed Income Securities at Fair Value	(608)	7
Total	**32,671**	**38,825**

The movement of expenses and income due to income tax included on the statement of recognised income and expenses, which totalled Euros 6,615 thousand at 31 December 2008 (a negative figure of 1,698 thousand at 31 December 2007), exclusively corresponds to the available-for-sale financial assets item.

Law 35/2006 governing Personal Income Tax and the partial modification of Company Income Tax, Income Tax for Non-Residents and Property Tax has modified the general tax rate applicable to non-cooperative profits, which has been changed to 30% for the years 2008 onwards. In accordance with the provisions of the Standard Chart of Accounts (Plan General de Contabilidad) approved by Royal Decree 1643/1990 of 20 December, referred to in Standard 42 of Bank of Spain 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.

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. However, the Entity's Governing Board and its tax advisors consider that the possibility that these contingent liabilities shall materialise in future inspections is remote and, in any event, the tax debt that they could generate would not have a significant effect on the accompanying annual accounts.

24. Breakdown of the income statement

The most significant captions on the accompanying income statements at 31 December 2008 and 31 December 2007 are as follows:

- Interest and similar income, interest expense and similar charges, and remunerations of capital having the nature of a financial liabilityrefundable on demand.

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

	Thousands of euros	
Interest and similar income	**2008**	**2007**
Deposits with central banks	11,012	9,045
Loans and advances to credit institutions	19,455	17,626
Money market operations through counterparties	-	-
Loans and advances to other debtors	1,323,891	996,757
Debt securities (Note 7.4.a)	2,035	2,513
Doubtful assets	4,555	4,138
Income adjustments due to hedging operations	-	-
Income from insurance contracts linked to pensions and similar obligations	-	-
Other interest:		
Income from Pension Plan assets (Note 16)	1,715	1,744
Other	4,357	3,927
Total	**1,367,020**	**1,035,750**
Interest expense and similar charges		
Deposits from central banks	(85,397)	(4,923)
Deposits from credit institutions	(37,062)	(37,088)
Money market operations through counterparties	-	-
Deposits from other creditors	(621,570)	(458,724)
Debt certificates including bonds	(72,191)	(63,490)
Subordinated liabilities (Note 7.6.e)	(18,633)	(16,412)
Expense adjustments due to hedging operations	(27,000)	(10,217)
Pension fund interest costs (Note 16)	(2,011)	(1,570)
Other interest	(672)	(115)
Total	**(864,536)**	**(592,539)**
Remuneration of capital refundable on demand		
Total	**(6,164)**	**(4,015)**

- Return on equity instruments

The details of this caption in the income statements for 2008 and 2007 are as follows:

Return on equity instruments	Thousands of euros 2008	2007
Investments in associates (Notes 11 and 14)	19	196
Investments in jointly-controlled entities (Notes 11 and 14)	-	-
Investments in group entities (Notes 11 and 14)	-	-
Other equity instruments (Note 7.4.b)	1,410	5,204
Total	**1,429**	**5,400**

- The captions “Fee and commission income” and “Fee and commission expense” in the accompanying income statements include the amount of all the fees and commissions owed to and payable by the Entity, which have accrued over the year, except those which are part of the financial instruments' effective interest rate. The criteria followed for their recording in the results are detailed in Note 3.17.

The details of products that have generatedgenerating fee and commission income or expenses recorded as fees or commissions during 2008 and 2007 are as follows:

Fee and commission income	Thousands of euros 2008	2007
From contingent exposures	8,862	9,176
From contingent commitments	3,744	3,486
From exchanges of currency and notes from foreign banks	861	867
From collection and payment services	58,678	51,287
From security-relatedsecurities services	1,431	1,602
From the marketing of non-bank financial products	20,970	20,960
Other fees and commissions	15,435	11,626
Total	**109,981**	**99,004**
Fee and commission expense		
Brokerage fees in asset and liability operations	-	-
Commissions transferredceded to other entities and correspondentsagents	(9,512)	(10,137)
FeesCommissions paid for securities operations	(12)	(2)
Other fees and commissions	-	-
Total	**(9,524)**	**(10,139)**

- Gains or losses on financial assets and liabilities

The details of this caption in the income statements for 2008 and 2007 are as follows:

Gains or losses on financial assets and liabilities (net)	Thousands of euros 2008	2007
Financial assets and liabilities held for trading	2,226	(1,067)
Other instruments at fair value through profit or loss	4,366	-
Available-for-sale financial assets	27,475	3,435
Loans and receivables	-	-
Held-to-maturity investments	-	-
Financial liabilities at amortised cost	-	-
Hedging not included in interest:		
Hedging derivatives	114,903	(42,213)
Hedged items	(113,144)	43,956
Other:		
Commissions from asset securitisations that have been written off (Note 7.5.b.4)	1,640	1,369
Other	(28)	40
Total	**37,438**	**5,520**

- Other operating income

The details of this caption in the income statements for 2008 and 2007 are as follows:

	Thousands of euros 2008	2007
Income from investment properties (Note 12)	1,116	675
Income from other tangible assets leased out under an operating lease	142	371
Sales and other income from the provision of non-financial services	-	-
Rest of operating productsincome:		
Financial commissions to offset direct costs	9,109	13,137
Expenses include in assets	-	-
Compensation from insurance carrierscompanies	17	51
Other recurring productsincome	3,586	15,485
Other non-recurring productsincome	924	590
Total	**14,894**	**30,309**

- Other operating expenses

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

	Thousands of euros 2008	2007
Expenses from investment properties (Note 12)	(65)	(73)
Contribution to deposit guarantee funds (Note 3.18)	(9,907)	(8,277)
Other items	(4,408)	(2,596)
Total	**(14,380)**	**(10,946)**

- Personnel expenses

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

	Thousands of euros	
	2008	2007
Salaries and bonuses paid to servingactive personnel	(158,329)	(132,953)
Social Security contributions	(37,326)	(32,680)
Contributions to defined benefit plans (Note 16)	(1,398)	(1,217)
Contributions to defined contribution plans (Note 16)	(4,358)	(2,681)
Compensation for termination of employment	(889)	(377)
Training expenses	(1,828)	(1,694)
Remunerations based on equity instruments	-	-
Other personnel expenses	(5,145)	(3,347)
Total	**(209,273)**	**(174,949)**

The average number of Entity employees, broken down by men and women in accordance with Organic Law 3/2007 of 22 March and by professional category, is as follows:

	2008		2007	
	Men	Women	Men	Women
Directors	12	-	9	-
Administrators and qualified managers	1,304	329	1,112	245
Administrative officers	755	569	766	570
Administrative assistants	429	792	354	702
Various	4	7	4	8
Total	**2,504**	**1,697**	**2,245**	**1,525**

As a result of the integration of Caja Rural del Duero, Sociedad Cooperativa de Crédito Limitada, a total of 284 new employees joined the Entity during 2007.

Remunerations in kind granted to the Entity's employees during 2008 and 2007 amounted to Euros 3,721 thousand and Euros 2,624 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:

	Thousands of euros	
	2008	2007
Property, fixtures and tangible objects	(30,454)	(27,629)
Information technology	(10,342)	(9,399)
Communications	(8,720)	(8,872)
Advertising and publicity	(8,588)	(5,580)
Legal and lawyer expenses	(90)	(9)
Technical reports	(2,239)	(3,354)
Monitoring and fund transfer services	(5,054)	(4,779)
Insurance premiums and self-insurance	(737)	(1,445)
Governing and controlling bodies	(874)	(675)
Personnel representation and travelling expenses	(3,981)	(3,412)
Membership fees	(101)	(60)
Head office expenses charged to foreign branches	-	-
Outsourced administrative services	(9,167)	(8,911)
Contributions and taxes:		
For property	(455)	(315)
Other	(382)	(361)
Other expenses	(9,302)	(7,886)
Total	**(90,486)**	**(82,687)**

- Provisioning expenses (net)

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

	Thousands of euros	
	2008	2007
Provisions to pension funds and similar obligations (Note 16)	(14,706)	(15,355)
Provisions for contingent exposures and commitments (Note 16)	4,036	1,424
Other provisions (Note 16)	(1,210)	(14,347)
Total	**(11,880)**	**(28,278)**

- Impairment losses on financial and otherrest of assets (net)

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

	Thousands of euros	
Financial assets	2008	2007
Loans and receivables (Note 7.5.d)	(107,581)	(109,382)
Financial instruments not measured at fair value through profit or loss (available-for-sale financial assets) (Note 7.4.)	(86)	(443)
Total	**(107,667)**	**(109,825)**
Rest of assets		
Goodwill and other intangible assets	-	-
Other assets:		
Non-current assets held for sale (tangible assets)	-	-
Investments (Notes 11 and 14)	(32,467)	(6,202)
Tangible assets (Notes 12 and 14)	(323)	-
Rest of assets (Notes 12 and 15)	(8,729)	-
Total	**(41,519)**	**(6,202)**

- Gains and losses on disposal of assets not classified as current assets held for sale

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

	Thousands of euros	
Gains on sales	2008	2007
Tangible assets (Note 12)	1,020	5,185
Investment properties (Note 12)	1,172	82
Assets awarded in foreclosure	-	-
Intangible assets	-	-
Investments	1,979	10,309
Equity instruments	-	-
Total	**4,171**	**15,576**
Losses on sales		
Tangible assets (Note 12)	(68)	(131)
Investment properties	-	-
Assets awarded in foreclosure	-	-
Intangible assets	-	-
Investments	-	(36)
Equity instruments	-	-
Total	**(68)**	**(167)**
Gains/(Losses) on disposal of assets not classified as non-current assets held for sale	**4,103**	**15,409**

- Gains and losses on non-current assets held for sale not classified as discontinued operations

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

	Thousands of euros	
Gains on sales	2008	2007
Tangible assets	-	155
Investment properties	-	-
Assets awarded in foreclosure	346	2,292
Intangible assets	-	-
Investments	-	-
Equity instruments	-	-
Total	**346**	**2,447**
Losses on sales		
Tangible assets	-	-
Investment properties	-	-
Assets awarded in foreclosure (Note 10)	(926)	-
Intangible assets	-	-
Investments	-	-
Equity instruments	-	-
Total	**(926)**	**-**
Gains/(Losses) on disposal of non-current assets held for sale not classified as discontinued operations	**(580)**	**2,447**

25. Information by segment

Segmentation by business line

Cajamar's main business is retail banking, with no other significant business lines existing which require the Entity, in accordance with legislation, to segment and manage its operation in different business lines.

Geographical segmentation

The Entity carries out almost all its activity within Spain with a similar type of customer throughout the country. Therefore, the Entity only takes into account a single geographic segment for all Cajamar activity.

26. Other information

Investment services

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

	Thousands of euros	
Year 2008	Customer funds	Commissions
Type of investment service (products managed by the Group)		
Portfolio management	-	-
Securities	-	-
Investment funds	155,245	1,030
Pension funds and savings insurance	654,288	16,161
SICAVs (investment companies with variable capital)	10,860	38
Total	**820,393**	**17,229**
Brokerage service (products marketed by the Group)		
Securities	-	-
Investment funds	325,467	2,161
Pension funds and savings insurance	63,418	1,566
SICAVs (investment companies with variable capital)	4,124	14
Total	**393,009**	**3,741**
Deposited securities owned by third parties		
Subordinated liabilities	-	-
Equity instruments and debt securities	711,552	1,431
Total	**711,552**	**1,431**

Year 2007	Customer funds (Thousands of euros)	Commissions (Thousands of euros)
Type of investment service (products managed by the Group)		
Portfolio management	-	-
Securities	-	-
Investment funds	292,329	1,021
Pension funds and savings insurance	548,711	12,455
SICAVs (investment companies with variable capital)	47,388	106
Total	**888,428**	**13,582**
Brokerage service (products marketed by the Group)		
Securities	133,503	862
Investment funds	633,100	4,514
Pension funds and savings insurance	190,009	1,921
SICAVs (investment companies with variable capital)	18,282	81
Total	**974,894**	**7,378**
Deposited securities owned by third parties		
Subordinated liabilities	60,000	-
Equity instruments and debt securities	756,734	290
Total	**816,734**	**290**

Contingent commitments

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

The details of the contingent commitments for 2008 and 2007, grouped by counterparty and indicating the limit and amount pending liquidity, are as follows:

	Thousands of euros			
	2008		2007	
	Limit	Available	Limit	Available
Drawable by third parties:				
Public administrations sector	122,684	23,717	41,117	17,991
Other resident sectors	23,699,281	2,381,006	21,819,190	3,507,926
Non-residents	233,069	2,761	211,806	3,402
Total	**24,055,034**	**2,407,484**	**22,072,113**	**3,529,319**
Other contingent commitments:	-	81,711	-	96,381
Total contingent commitments	**24,055,034**	**2,489,195**	**22,072,113**	**3,625,700**

The average interest rate offered for these commitments is 5.78% in 2008 (5.16% in 2007).

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 2008 and 2007, are as follows:

Year 2008	Thousands of euros Audit of annual accounts	Other services	Total
Entity			
PricewaterhouseCoopers	135	505	640

Year 2007	Thousands of euros Audit of annual accounts	Other services	Total
Entity			
PricewaterhouseCoopers	166	656	822

Abandoned funds and deposits

In accordance with article 18 of Law 33/2003 of 3 November, regarding the equity of public administrations, the Entity's funds and deposits which are abandoned, according to the requirements of the aforementioned article, amount to approximately Euros 10 thousand in 2008 (Euros 10 thousand in 2007).

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 of 20 February, ECO/734/2004 Order of 11 March regarding customer departments and services, as well as the ombudsman of financial entities and other applicable legislation, on 20 July 2004 the Governing Board approved the creation of its Customer Services Department, which is in-house, specialised and independent of other commercial and operating areas. The purpose of this Department is to handle and resolve 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 2008 to adapt them to the new organisational dependence of the Service, which is now answerable to the General Directorate of Cash Control. In accordance with the aforesaid and by virtue of article 17.2 of the abovementioned Ministerial Order, Cajamar's Customer Services Department prepares a summary of the explanatory annual report on its operations.

The number of cases opened by the Customer Services Department for complaints and claims filed during 2008 was 606. Of these, 86 were not admitted for processing. The reasons for their non-acceptance were due to: the reasons set forth in articles 14 and 18 of the Application Regulations; to the omission of information essential to processing (primary reason); and on account of their being matters which have been submitted to or already resolved by legal ruling. Sixty cases were presented to the Bank of Spain, three to the Spanish National Securities Market Commission (CNMV), and one to the Directorate General of Insurance and Pension Funds, respectively.

Based on their subject matter, the types of claims filed are as follows:

	2008		2007	
	No. of Claims	%	No. of Claims	%
Asset operations	167	27.56%	113	23.54%
Payment methods and other banking products	62	10.23%	94	19.58%
Liability operations	108	17.82%	93	19.38%
Collection and payment services	95	15.68%	75	15.63%
Securities, insurance and pension funds	67	11.05%	39	8.12%
Other	107	17.66%	66	13.75%
	606	100.00%	480	100.00%

The overall outcome of complaints and claims presented at 31 December 2008 and 2007 can be classified as follows:

	%	
	2008	2007
In favour of the claimant	24.76%	25.42%
In favour of the Entity	41.91%	41.67%
Waivers	1.98%	0.62%
Undecided / Unresolved	3.30%	6.25%
Rejected	14.19%	17.71%
In process	13.86%	8.33%
	100.00%	100.00%

In absolute terms, considering the number of complaints and claims processed during the year (a total of 436), 33.40% of the cases have been ruled in favour of the customer and 52.26% in favour of the Entity. The average resolution period for the indicated complaints and claims has been 41 days. A total of 86 cases were pending resolution at year end, 27 of which are the responsibility of the Bank of Spain's Claim Service, and two of the CNMV Investors Division, as these bodies began the processing, while the rest are being handled by the Services Department.

The decision criteria used by the Customer Services Department for the resolution of complaints and claims have been taken, essentially, from the criteria issued by the Department itself and from the rulings issued on claims filed with financial service supervisory bodies, based on: reports on banking best practices and uses; legislation governing the transparency of banking operations and customer protection; and any other legislation that has been applied, aimed at obtaining a justifiable and reasoned decision.

Cajamar's Customer Services Department is attached to the Customer Services Department of Cajamar Gestion, S.G.I.I.C., whose functions it fully assumes, applying its Operating Regulations and Law 35/2003 of 4 November regarding Collective Investment Institutions, together with the aforementioned legislation. During 2008, no claims or complaints have been presented to Cajamar Gestion, S.G.I.I.C., S.A.

27. Subsequent events

Irrespective of the information presented in this annual report, subsequent to 31 December 2008 and up to 26 January 2009, 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 cash flows.

Appendix I. Details of capital investments at 31 December 2008

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 Mediterráneo, 178-2º. Almería	Irrigation works construction	97.93%	4,513	12,511	(3,186)	(3,935)
Albaida Residuos, S.L. (a)	Avda. del Mediterráneo, 178-2º. Almería	Waste recycling	93.53%	0	14,627	(2,392)	(4,956)
Cajamar Gestión S.G.I.I.C., S.A. (a)	C/ Goya, 15-2º. Madrid	Fund management company	100.00%	2,940	3,000	-	(81)
Cajamar Intermediadora Operadora de Banca Seguros Vinculado, S.L. (a)	Plaza de Barcelona, 5. Almería	Insurance broker	100.00%	60	60	117	49
Cajamar Renting, S.L.U.	Plaza de Barcelona, 5. Almería	Rental of all types of goods	100.00%	60	60	(1)	-
Cimenta2 Gestión e Inversiones, S.L.U. (a)	Calle Navarro Rodrigo 9, planta 2, puerta A. Almería	Property development	100.00%	2,000	2,000	-	-
Eurovía Informática, A.I.E. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	Technological services	99.00%	3	3	-	-
Grupo Hispatec Informática Empresarial, S.A.U. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	IT services	100.00%	4,357	5,059	(353)	(335)
Grupo Hispatec Soluciones Globales, S.L.U. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	Consultancy	100.00%	2,369	2,084	(862)	1,124
Hiposervi, S.L.U. (a)	Plaza Antonio Gonzalez Egea, 2. Almería	Management-related services	100.00%	3	3	204	(31)
Sunaria Capital, S.L.U.	Avd. Montserrat Edif. Brisas portal 7. Almería	Holding company	100.00%	11,850	15,000	(108)	(3,050)
Tarket Gestión, A.I.E. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	General services	98.00%	3	3	-	-
				28,158	**54,410**	**(6,580)**	**(11,214)**
Jointly-controlled entities							
Safei Rural Málaga, S.A.	Plaza de la Marina, 1. Málaga	Financial broker	50,00%	40	600	(519)	-
				40	**600**	**(519)**	**-**
Associates							
Agrocolor, S.L.	Carretera de Ronda, 11, 1º-E. Almería	Quality certification	32.37%	18	11	949	480
Almagra Pro-2000, S.L.	Avd. Virgen del Rocío, Resd. Guadalcántara, Local 2. Málaga	Development and construction	23.50%	7	30	44	(2)
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros	Plaza de Barcelona, 5. Almería	Insurance	50.00%	2,254	4,508	-	-
Cajamar Vida, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería	Insurance	50.00%	4,508	9,015	22,845	11,631
Ecovida, S.L.	C/ Mengomor, 20. Almería	Organic farming	50.00%	6	12	-	-
Grupo Inmobiliario Aguamar, S.L. (a)	Avda. Mariano Hernández, 50. Roquetas de Mar. Almería	Development and construction	24.99%	23,713	26,197	49,077	(5,124)
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	(106)	(29)
Murcia Emprende S.C.R., S.A. (e)	Avda. de la Fama, 3. Murcia	Venture capital investment	25.00%	1,259	6,000	(1,035)	27
Parque Científico-Tecnológico de Almería, S.A. (b)	Avda. Federico Garcia Lorca, 57-5ºB. Almería	Management of shopping areas	30.00%	4,040	14,000	(354)	(65)
Sabinal Agroservicios, S.A.	Carretera de Ronda, 11, 1º-E. Almería	Agricultural cooperative services	50.00%	24	282	(234)	-
Savia Biotech, S.A.	C/ Magistral Dominguez, 11-3º. Almería	Biotechnology applied to agriculture	19.23%	438	2,600	(143)	(365)
Tino Stone Group, S.A. (d)	Pol. Ind. Rubira Sola, s/n. Macael. Almería	Construction subcontractor	25.00%	6,892	102	14,741	956
				44,540	**68,803**	**85,783**	**7,507**

(a) Company audited by Pricewaterhouse Coopers 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 audited by ACR Auditors Group, S.L.

Appendix I. Details of capital investments at 31 December 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	Irrigation works construction	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 broker	100.00%	60	60	82	35
Cajamar Renting, S.L.	Plaza de Barcelona, 5. Almería	Rental of all types of goods	100.00%	60	60	(1)	-
Eurovía Informática, A.I.E. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	Provision of technological services	99.00%	3	3	-	-
Grupo Hispatec Informática Empresarial, S.A. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	Provision of IT 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	Consultancy	100.00%	2,223	2,084	(18)	(843)
Hiposervi, S.L. (a)	Plaza Antonio Gonzalez Egea, 2. Almería	Management-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 entities							
Safei Rural Málaga, S.A.	Plaza de la Marina, 1. Málaga	Financial broker	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	Development and construction	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	Organic farming	50.00%	6	12	-	-
Grupo Inmobiliario Aguamar, S.L. (a)	Avda. Mariano Hernández, 50. Roquetas de Mar. Almería	Development and construction	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	Agricultural cooperative services	50.00%	82	282	(117)	-
Savia Biotech, S.A.	C/ Magistral Dominguez, 11-3º. Almería	Biotechnology applied to agriculture	19.23%	250	2,600	-	(27)
Tino Stone Group, S.A. (d)	Pol. Ind. Rubira Sola, s/n. Macael. Almería	Construction subcontractor	25.00%	6,892	102	14,912	1,161
				48,804	**58,295**	**76,627**	**8,769**

(a) Company audited by Pricewaterhouse Coopers 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 previously known as Cajamar Mediación Correduría de Seguros, S.L.

Appendix II. Details of branches by geographic area

Province	Nº. of Branches 2008	Nº. of Branches 2007
ANDALUCIA	382	**383**
Almería	183	188
Cádiz	14	14
Córdoba	3	3
Granada	24	23
Huelva	2	1
Jaén	2	1
Málaga	149	152
Sevilla	5	1
ARAGÓN	2	**2**
Zaragoza	2	2
BALEARES	1	**1**
CANTABRIA	1	**-**
CASTILLA LA MANCHA	6	**4**
Albacete	2	2
Ciudad Real	1	-
Guadalajara	1	1
Toledo	2	1
CASTILLA LEÓN	131	**122**
Avila	10	8
Burgos	3	-
León	9	7
Palencia	22	22
Salamanca	1	-
Segovia	1	1
Soria	1	-
Valladolid	81	84
Zamora	3	-
CATALUÑA	77	**79**
Barcelona	70	74
Gerona	4	3
Lérida	1	1
Tarragona	2	1
COMUNIDAD VALENCIANA	42	**41**
Alicante	18	18
Castellón	2	2
Valencia	22	21
MADRID	65	**66**
MURCIA	213	**213**
CEUTA	2	**2**
MELILLA	2	**2**
	924	**915**

Management Report

Year 2008

Macroeconomic environment

- Spain is on the verge of an economic recession, registering negative growth in the third quarter of this year, with **GDP** down 0.2% from the previous quarter (the first quarterly fall in fifteen years). The GDP grew 0.9% in this third quarter, the lowest figure since the end of 1993. The reason for this deceleration in GDP is the sharp slowdown in domestic demand, which was at 0.3% in year-on-year terms, in comparison with foreign demand, which improved between July and September, reaching 0.6%. All of the components of domestic demand contributed to its deceleration, although it was most notable in residential investment and household consumption, while the improvement in foreign demand was due to the sharp reduction in import growth and to the maintenance of a certain dynamism in foreign sales.

- **The Consumer Price Index (CPI)** dropped half a percentage point in December, closing 2008 at 1.4% year-on-year, the lowest rate in the last decade and much lower than the 4.3% at year end 2007. The slowdown in inflation is the result of the global economic crisis, which has caused a sharp drop in crude oil prices and, to a lesser extent, in food prices. These levels are far from the maximum levels of near 5%, which were reached during certain months of 2008 due to the rise in the price of oil. Specifically, prices reached their peak at 5.3% during the month of July. Since then, inflation has fallen, experiencing its largest drop of 1.2 percentage points last November, an event that had not occurred in 22 years.

- **Core inflation**, which excludes food and energy prices, closed the year at 2.4%, nine tenths of a percentage point lower than in December 2007, after falling three tenths in December. The shopping basket item which most influenced the reduction in CPI has been transport, with a 5.6% drop in price due to lower crude oil prices. Likewise, the rise in alcoholic and non-alcoholic beverage prices was limited to 2.4%, less than in 2007. Also noteworthy is the drop in the prices of fresh fish, milk, oils, beef, pork and cooked pork meats. The housing CPI component has contributed to the reduced inflation, with a drop of seven tenths of a percentage point down to 5.9%, primarily due to the price reduction in central heating oil. The falling Spanish inflation rate has placed this indicator, for the first time since August 2001, below the euro zone average (1.6%).

- **Unemployment** recorded in December was up 139,694 over November (4.67%), with the total number of unemployed at year end 2008 reaching 3,128,963, which is 999,416 more (46.93%) than in the previous year. This is the highest number of unemployed individuals since January 1996, the month from which the current historical series with comparable data has been prepared. In December, compared with the previous month, unemployment notably increased in construction, with 70,701 more unemployed (13.60%); followed by services, with 46,471 (2.69%); industry, with 27,725 (7.45%); and agriculture, with 916 (0.91%), whilst it decreased amongst the group without previous employment by 6,119 individuals (2.29%). The number of Social Security contributors dropped 841,465 in 2008, leaving the number of contributing workers at 18, 531,312. Figures for December indicate that the average number of contributors dropped 190,075 during this month alone.

- During 2008, **oil prices** have experienced unprecedented extremes and volatility. Brent oil prices began the year at over $90 per barrel, peaked at over $145 in July and closed the year at $45.59. The primary reason for the price slump during the second half of the year is the worsening of the global economic crisis, with the consequent drop in crude oil demand.

- The **euro** did not escape the strong volatility and fears regarding the delicate state of health of world's main economies. Fluctuations and the revival of the dollar as a safe-haven currency marked twelve months of ups and downs. As regards the euro vs. the dollar, the year began with the Community currency gaining ground over the U.S. currency. The first victims of the subprime crisis in the United States and the upward spiral of oil prices, in addition to the increases in gold as a defensive investment, left the dollar at all-time lows. In April, the euro reached a historic record high with an exchange rate of 1.602 dollars, however it lost ground during the summer. The worsening of the financial crisis lead investors to seek refuge in the dollar. Thus, in October, the euro fell to a two-year low against the dollar, down to 1.284 dollars. Nevertheless, from this point onwards, the euro began to rally, boosted primarily by the ECB's rate policy prudence. Lastly, the euro closed the year at 1.399 dollars, in comparison with 1.457 in December 2007, resulting in the dollar's first annual gain since 2005.

- The **EURIBOR at one year** (main reference for mortgage loans in Spain) closed December at 3.452%, the lowest level since June 2006. Following the upturn recorded during the first half of the year (reaching its high in July at 5.393%), the index has fallen due to the drop in rates and the slow, but continuous, normalisation of the markets following the measures passed by governments and central banks to guarantee liquidity. If June saw the ECB raising the reference rate 0.25 b.p. to 4.25%, the intensity of the economic crisis forced the ECB, the FED and various central banks to apply a historic interest rate cut of 0.50 b.p. in October. The ECB cut the rate again in November by 0.50 b.p. and by 0.75 b.p. in December, setting the interest rate at 2.5%, still far from the 0%-0.25% of the U.S.A.

- The **Ibex 35** closed 2008 (the worst year of its history) at 9,195 points, signifying a 39.43% drop, similar to the rest of the European stock exchanges. The banks, property developers and builders are responsible for a year of fear and volatility. The macroeconomic outlook remains gloomy, especially beginning in the summer, whilst news such as the rescue of the mortgage companies Fannie Mae and Freddie Mac and the bankruptcy of Lehman Brothers has signified a burden that is too much for the markets to bear. The Spanish stock exchange thus closed its worst year ever, even surpassing the annual drops of 32% recorded in 1931, at the peak of the Great Depression, and in 1973, during the height of the oil crisis.

Business progress

- **Total business managed**, considering wholesale funds in addition to business managed by retail customers, surpassedexceeds Euros 44,877 million at year- end 2008.

- The Cajamar **balance** sheet has grown 5.3% in comparison with 2007, reaching Euros 25,154 million. Its average total assets have increased 17.2% to Euros 23,931 million.

- **Total funds managed** came to over Euros 20,788 million, comprised mostly of customer-borrowed capital, which reached Euros 13,626 million after experiencing an increase during the year of Euros 617 million (4.7% in relative terms).

- **Gross loans and advances to other debtors in the balance** sheet reached Euros 23,294 million, after experiencing a 3.8% increase.

- **Overall loans and advances to other debtors**, which also includes all off-balance sheet risks managed by the Entity (mainly securitised loans), amounted to Euros 24,089 million, after recording 3.3% growth during the year.

- Cajamar has increased its **doubtful assets** by 249.4% up to Euros 859 million. This increase, together with the growth in loans and receivables on the balance sheet, has placed its default rate at 3.69%.

- April saw the **Moody's** rating agency adjust Cajamar's long-term debt rating from “A1”, which it was given in 2007 as a result of its change in methodology, to “A2”, its rating prior to this revision. With regard to the other items, short-term debt and financial strength did not change. In October 2008, the **Fitch** rating agency confirmed: Cajamar's long-term rating of “A”, short-term rating of “F1”, its “stable” outlook, individual rating of “B” and support rating of “3”, which it had been given for the first time in 2004.

FITCH		MOODY'S	
Long-term	A	Long-term	A2
Short-term	F1	Short-term	P-1
Outlook	Stable	Financial strength	C+
Individual	B		
Support	3		

- At the end of 2008, Cajamar had a staffheadcount of 4,203 **employees**, distributed overthroughout the 924 **branches** that comprise its network, in addition to the Central Services.

Share capital

- At year- end 2008, total **share capital** amounted to Euros 823 million, of which Euros 145 million are considered 'Capital having the nature of a financial liability'refundable on demand' in the liabilities section of the balance sheet, whilst the rest falls under Equity.

- The number of **members** is over 544,000, following an increase of 9% throughout the year.

- During 2008, capital rose by a net sum of Euros 200 million.

Risk management

- A comprehensive analysis of the situation at the close of 2008 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.

Profit

- **Net interest income** in 2008 has been clearly favoured by the rate effect, registering 13.0% growth for the year.

- Thanks for the most part to the contribution of net commissions and profit from financial operation results, **gross income** reached Euros 635.8 million, 13.6% over the previous year.

- The expense growth containment policy to contain increasing expenses, together with the significant increase in ordinary income, have boosted **profit from operating activities** up to Euros 182.4 million, 39.4% more than in the previous year.

- The Entity has allocated Euros 107.7 million to cover **financial asset impairment losses**, a 2.0% drop from the previous year, of which 99.9% corresponds to Loans and Receivables.

- On the other hand, Cajamar has allocated another Euros 41.5 million to cover **impairment losses on the rest of the assets**, representing an increase of 569.4% over the previous year.

- Cajamar has obtained Euros 144.4 million in **profit before tax**, which represents a 1.3% increase in the amount registered in 2007, and finally, after deducting both the corporationincome tax and the Education and Development Fund provision, its **net profit** comes to Euros 126.6 million, 5.0% higher than the previous year.

Efficiency

- The Entity's **efficiency**, calculated as (administration expenses + amortisation and depreciation + other operating products/chargesincome/expenses) / ordinary income, is 51.9%, as a result of a 22.9% growth in operating expenses (administration expenses + amortisation and depreciation + other operating products/chargesincome/expenses) and a 17.6% increase in ordinary income. This ratio has dropped 2.0 p.p. in comparison with the previous year, although the integration of Caja Rural del Duero has been the major cause of this decrease, since without this event, the ratio would have only dropped 0.8 p.p.

- At 31 December 2008, Cajamar has a **network** of 924 branches which are located in the two autonomous cities and in 10 of the 17 autonomous communities, thanks to its entry into six new provinces this year: Burgos, Cantabria, Ciudad Real, Salamanca, Soria and Zamora.

Solvency

- At 31 December 2008, the **eligible capital base** of the Cajamar Group came to Euros 2,379 million, a figure that reveals a surplus of Euros 865 million over the minimum capital requirements (57.17% in relative terms).

- Cajamar's **solvency ratio** at 31 December 2008 was 12.6%, 4.6 p.p. above the 8% minimum required by the regulatory body, with its tier one eligible capital representing 78% of the eligible capital base, i.e. Euros 1,867 million (already net of its deductions), which demonstrates the high level of solvency soundness.

- The total **eligible capital base requirements** at 31 December 2008 came to Euros 1,513 million, 94.9% of which corresponds to **risks related to credit, counterparty, dilution and delivery**, and 5.1% to **operational risk**.

Technology projects, alternative channels and R&D

- The star project for 2008 has been the **operational integration** of **Caja Rural del Duero's** entire branch network and Central Services into Cajamar's computer systems. This project, which began in the fourth quarter of 2007, was finalised in March, when the Entity took advantage of the public holidays during Holy Week to perform the migration. The complete lack of incidents during this highly-complex process which was carried out in such a short period of time is particularly noteworthy, demonstrating once again the high calibre of Cajamar's professionals.

- **Scanners** are beginning to be **installed** in all the Entity's branches. This technology has made it possible to eliminate the need to physically send risk files, thus saving time and money. It is projects such as these that bring us increasingly closer to our objective of having "paperless-free branches".

- Cajamar's commitment to **self-service** has manifested itself in the **installation of new concepts at its branches, such as machines which update bank books or collect bill payments**. Furthermore, all the newly-acquired cash machines come with scanners and bank book updating capabilitiesfeatures.

- With regard to **alternative channels** which facilitate access to the Entity, such as the Internet, mobile phones and cash machines, 2008 has seen an enhancement in the selection of remote products and services as Cajamar puts forth an effort to differentiate itself and provide added value to the customer. We have continued incorporating new options into the online broker system, cash machines as well as the electronic and telephone banking services. Currently, Cajamar's offer relating to remote banking channels is in harmony with the offer on the market. It is even comparable to that of entities of greater size and business volume (according to the ranking published by Aqmetrix, an independent firm specialised in rating, measuring and comparing financial services by Internet). The year 2008 closed with over 600,000 customers registered on remote channels. These customers have performed an average of 6.7 million transactions per month, moving over Euros 6,500 million throughout the course of the year, 25% more than in 2007.

- As a main project for 2008, **Cajamar's new institutional website**, www.cajamar.es, was developed and published. The new site is specially designed for user interaction, so that they can easily and quickly obtain the information they need. The most modern criteria for usability and accessibility have been applied in its development.

- The ongoing actions carried out to guarantee the users' **security** in these channels is also of special note. Other measures are: the inclusion of the **electronic DNI** (national ID card) **as an identification system**; **the incorporation of an SMS electronic signature for remote operations;** and the creation of an **alert system for online detection of any suspicious activity**.

- At 31 December 2008, Cajamar has various activecapitalised R&D projects in progress, which are included inunder the “TangibleIntangible Assets” caption on the balance sheet, for an overall amount of Euros 32.2 million.

Annual Corporate Governance Report

For a better understanding of the form and how to complete it, please read the instructions at the end of this document.

A) OWNERSHIP STRUCTURE

A.1. Provide details regarding the entity's most significant shareholders and stakeholders at year- end:

Name or business name of shareholder or stakeholder	% of share capital

A.2. State, if any, the relationships of a family, commercial, contractual or corporate nature that exist between the significant shareholders or stakeholders, which are known to the entity, except those of little relevance or which arise from ordinary business activity:

Names of related individuals or businesses	Type of relationship	Brief description

A.3. State, if any, the relationships of a commercial, contractual or corporate nature that exist between the significant shareholders or stakeholders and the entity, except those of little relevance or which arise from ordinary business activity:

Names of related individuals or businesses	Type of relationship	Brief description

(This section is not applicable to Cajamar as it does not have any members with significant or controlling percentages (5% or greater)).

B) STRUCTURE OF THE ENTITY'S ADMINISTRATION

B.1. Governing Board

B.1.1. Provide details regarding the maximum and minimum number of Governing Board members, as set forth in the Articles of Association:

Maximum number of Board members	15
Minimum number of Board members	15

B.1.2. Fill in the following table on the Governing Board members and their respective posts:

Governing Board Members

Name or business name of the Governing Board member	Representative	Last date of appointment	Post
ANTONIO PEREZ LAO		24-08-2007	EXECUTIVE BOARD MEMBER
JUAN DE LA CRUZ CARDENAS RODRIGUEZ		24-08-2007	EXECUTIVE BOARD MEMBER
LUIS DE LA MAZA GARRIDO		24-08-2007	EXECUTIVE BOARD MEMBER
FRANCISCO COLOMER DE LA OLIVA		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
JOSE SEBASTIAN MILLARUELO APARICIO		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
ANGEL LIROLA SUAREZ		24-08-2007	EXECUTIVE BOARD MEMBER
FRANCISCO LORENTE BROX		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
RAMON ALIAGA CARRION		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
ANTONIO LUQUE LUQUE		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
FRANCISCO BELMONTE LOPEZ		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
JOSE MANUEL MORENO FERREIRO		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
FRANCISCO ELIAS GONGORA CAÑIZARES		24-08-2007	EXECUTIVE BOARD MEMBER
JOSE ANTONIO SANTORROMAN LACAMBRA		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
AGUSTIN MIGUEL SANCHEZ MARTINEZ		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
RODRIGO MUÑOZ RODRIGUEZ		22-02-2005	EXECUTIVE BOARD MEMBER

B.1.3. List, if any, the Governing Board members that hold managerial or executive posts at other entities that are part of the entity's group:

Name or business name of the Governing Board member	Business name of the group entity	Post
FRANCISCO ELIAS GONGORA CAÑIZARES	ALBAIDA RECURSOS NATURALES Y MEDIO AMBIENTE, SA	PRESIDENT
FRANCISCO ELIAS GONGORA CAÑIZARES	ALBAIDA RESIDUOS, S.L.	PRESIDENT
FRANCISCO ELIAS GONGORA CAÑIZARES	ALBABIO ANDALUCÍA, S.L.	MANAGING DIRECTOR
ANGEL LIROLA SUAREZ	CAJAMAR GESTION, SGIIC, SAU	PRESIDENT

B.1.4. Fill in the following table regarding the total remuneration of the Governing Board members for the year:

Remuneration item	Individual (thousands of euros)	Group (thousands of euros)
Fixed remuneration	1,487	0
Variable remuneration	24	0
Allowances	13	0
Other Remunerations	34	0
Total:	**1.558**	**0**

B.1.5. Identify the senior managers who are not executive Governing Board members and indicate their total remuneration for the year:

Name or business name	Post
MANUEL YEBRA SOLA	GENERAL MANAGER
FRANCISCO JAVIER RAMIREZ ARCEO	GENERAL MANAGER
JESUS FERNANDO MARTINEZ USANO	GENERAL MANAGER OF CONTROL
Total remuneration for senior management (in thousands of euros)	731

B.1.6. Indique si los estatutos o el reglamento del consejo establecen un mandato limitado para los consejeros o miembros del órgano de administración:

Yes x	No
Número máximo de años de mandato	6

B.1.7. State whether the Board's statutes or regulations set forth a limit on the term of office held by the Governing Board members:

Yes	No x

If so, list the individuals who have certified the entity's individual or consolidated annual accounts for preparation by the Governing Board:

Name or business name	Post

B.1.8. Explain the mechanisms, if any, established by the Governing Board to ensure that the individual or consolidated annual accounts it has prepared are not presented at the General MeetingsAssemblies or equivalent body with reservations or qualifications in the audit report.

B.1.9. Is the Secretary of the Governing Board a board member?

Yes x	No

B.1.10. State the mechanisms, if any, established to safeguard the independence of the auditor, financial analysts, investment banks and rating agencies.

At the Audit Committee meeting held on 11 February 2008, compliance with the requirements of the Auditor (currently the company PricewaterhouseCoopers Auditores S.L.) were verified. Specifically, it was announced that there were no situations that could reveal a risk related to lack of independence in their work.

It was also announced that the revenue received by PricewaterhouseCoopers from the Cajamar Group during the previous year represented approximately 0.3% of its total income, stating for the record that this company has not provided incompatible services nor does it hold financial interests with Cajamar.

Lastly, information was provided on the work team members' compliance with the rotation rule (maximum of 7 years on the team).

The indicated information, and the express mention of compliance with relevant national and international legislation, and especially with the Account Audit Act, signified that the aforementioned Audit Committee meeting held on 11 February 2008 could legally prove compliance with the requirements of the Auditor's practice and its independence.

B.2. Governing Board Committees

B.2.1. List the Governing Board's committees:

	No. of members	Functions
EXECUTIVE COMMITTEE	7	THOSE INDICATED IN POINT B.2.3.
AUDIT COMMITTEE	6	THOSE INDICATED IN POINT B.2.3.
CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	6	THOSE INDICATED IN POINT B.2.3.
INVESTMENT AND FINANCE COMMITTEE	6	THOSE INDICATED IN POINT B.2.3.
RISK COMMITTEE	6	THOSE INDICATED IN POINT B.2.3.
BUSINESS COMMITTEE	5	THOSE INDICATED IN POINT B.2.3.
APPOINTMENT AND REMUNERATION COMMITTEE	4	THOSE INDICATED IN POINT B.2.3.

B.2.2. Provide details on all the Governing Board committees and their members:

Executive or Delegated Committee

Name or business name	Post
ANTONIO PEREZ LAO	CHAIRMAN
JUAN DE LA CRUZ CARDENAS RODRIGUEZ	MEMBER
LUIS DE LA MAZA GARRIDO	MEMBER
ANGEL LIROLA SUAREZ	MEMBER
FRANCISCO COLOMER DE LA OLIVA	MEMBER SECRETARY
ANTONIO LUQUE LUQUE	MEMBER
FRANCISCO LORENTE BROX	MEMBER

Audit Committee

Name or business name	Post
FRANCISCO COLOMER DE LA OLIVA	CHAIRMAN
JOSE SEBASTIAN MILLARUELO APARICIO	MEMBER
ANGEL LIROLA SUAREZ	MEMBER
FRANCISCO LORENTE BROX	MEMBER
JOSE ANTONIO SANTORROMAN LACAMBRA	MEMBER
AGUSTIN MIGUEL SANCHEZ MARTINEZ	MEMBER

Appointment and Remuneration Committee

Name or business name	Post
FRANCISCO LORENTE BROX	CHAIRMAN
AGUSTIN MIGUEL SANCHEZ MARTINEZ	MEMBER
JOSE ANTONIO SANTORROMAN LACAMBRA	MEMBER
ANTONIO LUQUE LUQUE	MEMBER

Strategy and Investment Committee

Name or business name	Post

Corporate Social Responsibility Committee

Name or business name	Post
ANTONIO PEREZ LAO	CHAIRMAN
JUAN DE LA CRUZ CARDENAS RODRIGUEZ	MEMBER
ANTONIO LUQUE LUQUE	MEMBER
FRANCISCO BELMONTE LOPEZ	MEMBER
FRANCISCO GONGORA CAÑIZARES	MEMBER
RODRIGO MUÑOZ RODRIGUEZ	MEMBER

Investment and Finance Committee

Name or business name	Post
ANTONIO PEREZ LAO	CHAIRMAN
ANGEL LIROLA SUAREZ	MEMBER
RAMON ALIAGA CARRION	MEMBER
FRANCISCO BELMONTE LOPEZ	MEMBER
FRANCISCO GONGORA CAÑIZARES	MEMBER
FRANCISCO COLOMER DE LA OLIVA	MEMBER

Risk Committee

Name or business name	Post
JUAN DE LA CRUZ CARDENAS RODRIGUEZ	CHAIRMAN
LUIS DE LA MAZA GARRIDO	MEMBER
JOSE SEBASTIAN MILLARUELO APARICIO	MEMBER
JOSE MANUEL MORENO FERREIRO	MEMBER
JOSE ANTONIO SANTORROMAN LACAMBRA	MEMBER
ANTONIO LUQUE LUQUE	MEMBER

Business Committee

Name or business name	Post
LUIS DE LA MAZA GARRIDO	CHAIRMAN
FRANCISCO LORENTE BROX	MEMBER
RAMON ALIAGA CARRION	MEMBER
JOSE MANUEL MORENO FERREIRO	MEMBER
AGUSTIN MIGUEL SANCHEZ MARTINEZ	MEMBER

B.2.3. Provide a description of the rules of organisation and procedure, as well as of the responsibilities assigned to each of the Board committees or Governing Board members. If applicable, describe the powers of the Managing Director.

Executive Committee

Pursuant to the Entity's Articles of Association, the Governing Board may designate, from amongst its members and with a favourable vote from two-thirds of the Directors, an Executive Committee comprised of a Chairman, Vice-Chairman, Secretary and four Members. Of these, two shall come from the Malaga area and one of these shall be appointed Managing Director in this area, without prejudice to the appointment of other Managing Directors within the scope of CAJAMAR CAJA RURAL, SOCIEDAD COOPERATIVA DE CREDITO, with the powers agreed in each case and in accordance with the respective Board resolutions.

Likewise, the Executive Committee and the Managing Directors shall carry out the powers which, upon agreement by the super-majority of the previous number and observing current legislation, are delegated to them by the Governing Board. However, the permanent delegations of power and the appointments of its members shall not take effect until they have been registered with the Commercial and Cooperative Registries, after these members have been registered with the Bank of Spain's Registry of Senior Officers.

This Committee shall meet at least once a month at the place, date and time it specifies, without the need for another call or the prior issuance of a closed agenda. The meeting shall be considered validly constituted when over half of its members are in attendance, excluding representatives. With regard to the possible presence of other individuals, the criteria set forth in Section 30, Number 2, penultimate paragraph shall be observed. Resolutions shall be adopted with more than half of the validly cast votes of the members in attendance, with the Chairman breaking ties with his deciding vote.

Currently, the Executive Committee has been delegated all the powers of the Governing Board, except those non-delegable by law or the Articles of Association.

Audit Committee

Cajamar's Articles of Association include the legal provisions regarding the Audit Committee. This body is provided for in Article 40 of the Articles of Association, which reads as follows:

Article 40

Audit Committee

"1. Given the Entity's status as a SAVINGS BANK which issues securities traded on official secondary securities markets, and pursuant to the provisions of Additional Provision Eighteen of Securities Market ActLaw 24/1988 of 28 July, the Audit Committee set forth in this regulation is created.

2. The Audit Committee shall be comprised of a minimum number of four and a maximum number of seven members of the Governing Board, which shall appoint these by express agreement in accordance with the provisions of this Article. The number of members may be decided in the Regulations referred to the following section.

The Audit Committee members shall be, at least in their majority, non-executive Governing Board members.

The Audit Committee shall have a Chairman and Secretary, under the terms indicated in this section.

The Audit Committee Chairman shall be appointed from amongst the non-executive Governing Board members and replaced every four years. He may be re-elected after one year has passed since the end of his term of office.

The figure of Secretary shall be governed by the Audit Committee Regulations. The individual who holds this post should not be a Governing Board member. In the event that they are a Governing Board member, they shall be elected from amongst the non-executive members, having full voting and speaking privileges at the Committee meetings. In the event that they are not a Governing Board member, they shall have speaking privileges, but not voting privileges.

For the purposes of the provisions of this Article, a Non-Executive Member shall be understood as a Governing Board member that does not carry out managerial or executive functions at the SAVINGS BANK or, in the event that this member has a labour or commercial relationship with the Entity, it may not be classified as a senior management relationship or consist of executive functions.

3. The Audit Committee shall be called by its Chairman by means of letter, fax, telegram or email and shall be authorised with the signature of the Chairman or of the Secretary at the Chairman's order.

The call shall be made at least three days in advance. It shall always include the session's agenda and the documentation that may be necessary for each meeting.

The Committee members may request complementary information that they deem appropriate.

When the Chairman deems this unadvisable due to security reasons, the information shall not be provided and the members shall be notified of the possibility to reviewing it at the place of business.

The Committee's extraordinary sessions may be called by telephone and the period of advance notice as well as the other requirements set forth in the previous section shall not apply, when the Chairman deems it justifiable due to the circumstances.

The Committee shall be considered validly constituted when at least half plus one of its members is in attendance. If the number of members is odd, a quorum shall exist when the number of members in attendance is the whole number next above half.

The Chairman shall organise the discussion, ensuring and promoting the active participation of the members in the Committee's deliberations.

Resolutions shall be adopted by an absolute majority of attendees. In the event of a tie, the vote of the Committee's Chairman shall be the deciding vote.

The Committee shall issue minutes of its sessions and shall keep the Governing Board informed of the issues covered in these sessions, the results from its work and the resolutions adopted.

The minutes shall include, as a minimum: the place and date of the Committee's session; the time at which it began and ended; the complete document of the call with the agenda; list of attendees; declaration of sufficient quorum for constituting the session; the speeches which were requested to be placed on record; a summary of deliberations; incidents that the Chairman has had to resolve; as well as the transcription of the resolutions adopted with the voting results.

Notwithstanding the provisions herein, the Audit Committee shall have its own Regulations approved by the Governing Board, in accordance with the proposal presented by the Committee itself. These Regulations shall draw up and establish the Committee's rules of operation.

4. The Governing Board shall safeguard the independence of the Audit Committee, setting forth however many measures may be essential to compliance with its functions. The employees and bodies of the CREDIT INSTITUTION must cooperate in whatever manner necessary to ensure that this Committee meets its objectives.

Pursuant to the provisions of applicable legislation, the Audit Committee shall have the following powers:

a) To inform the Entity's General MeetingAssembly of the matters that are discussed in its sessions within the scope of its functions

b) To propose the appointment of the external auditors, in accordance with legislation applicable to the Entity, to the Entity's Governing Board for submission to the General MeetingAssembly

c) To supervise the internal audit services

d) To remain informed with regard to the financial information process and the Entity's internal control systems

e) To maintain relations with the external auditors in order to receive information on issues which could jeopardise their independence and any other issues related to the audit process, as well as any other communications provided for in audit legislation and technical auditing standards."

Additionally, its respective Regulations, approved by the Governing Board, stipulate that the Committee shall be comprised of five Governing Board members, the majority of which shall be non-executive.

The Committee Chairman must be appointed from amongst the non-executive members and replaced every four years, although he may be re-elected after one year has passed since the end of his term of office.

The Committee must draw up an annual timetableschedule of ordinary sessions, which must be held at least six times a year at the initiative of its Chairman. Furthermore, an Annual Report must be prepared on its activities for the year.

Section 3 of its Regulations states the purposes of this Committee and reads as follows:

“The objective of the Committee, which has no executive powers, is to assist the Governing Board in the fulfilment of the functions within its powers, which are listed below:

1) To inform the Entity's General MeetingAssembly of the matters that are discussed in its sessions within the scope of its functions

2) To propose the appointment of the external auditors, in accordance with legislation applicable to the Entity, to the Entity's Governing Board for submission to the General MeetingAssembly

3) To supervise the internal audit services

4) To remain informed with regard to the financial information process and the Entity's internal control systems

5) To maintain relations with the external auditors in order to receive information on issues which could jeopardise their independence and any other issues related to the audit process, as well as any other communications provided for in audit legislation and technical auditing standards.

The Committee shall prepare an Annual Report each year on the activities it has carried out as well as an action plan for the following year, which it will provide to the Governing Board.”

The current composition of the Audit Committee is derived from the resolutions adopted by the Entity's Governing Board at its meeting on 9 January 2008.

Other delegated committees of the Governing Board:

Cajamar Caja Rural, Sociedad Cooperativa de Crédito has passed the resolutions necessary for including, in its Articles of Association, the legal provisions regarding Delegate Committees of the Governing Board.

Thus, Article 41 of its current Articles of Association sets forth the following:

Article 41

Other delegated committees

“The Governing Board may establish other voluntary Delegated Committees within its ambitscope, which, independentirrespective of its activities and pursuant to Operational Regulations, shall carry out control functions related to CREDIT INSTITUTION's areas of activity. These Committees shall be comprised of a number of Governing Board members determined specifically for each case. The Governing Board must be informed of the matters within its powers, as envisaged in the respective Regulations.”

During its session held on 9 January 2008 and based on the provisions of Article 41 transcribed above, Cajamar's Governing Board adopted resolutions related to the Board's current Delegated Committees, both with regard to both their name and functions, as well as composition, approval of the current Regulations and the rest of the references required by law and the Articles of Association, with the exception of the Corporate Social Responsibility Committee, constituted pursuant to the resolutions approved by the Governing Board on 28 March 2006, although the composition of the Committee is likewise derived from the resolutions of the Governing Board from 9 January 2008.

The details of the functions of the abovementioned Delegated Committees are as follows:

A) Corporate Social Responsibility Committee

Pursuant to its Regulations, the Committee shall be comprised of six Governing Board members.

The members shall hold their Committee posts as long as they are Governing Board members, in the manner envisaged in the Entity's Articles of Association.

Participation in the Committee is not exclusive; its members may form part of other Committees which the Governing Board may decide to create with regard to matters within its powers.

The Committee must draw up an annual timetableschedule of ordinary sessions, which must be held at least three times a year at the initiative of its Chairman.

As regards its functions, Section 3 of the Committee's Regulations sets forth the following:

“The objective of the Committee, which has no executive powers, is to assist the Governing Board in the fulfilment of the functions related to its powers, and to this end may:

1- Examine the Entity's management with regard to matters within its powers.

2- Carry out the instructions given by the Governing Board in those matters entrusted to it by this Board.

3- Make proposals to the Governing Board which it deems advisable regarding the Credit Institution's management activities, general strategies, member and customer relations, and any other matters deemed appropriate, within the scope of its powers.

4- Inform the Governing Board of the proposals which the members could make with regard to matters within the Committee's powers.

5- The functions delegated to it by the Governing Board.

   Those powers legally or institutionally reserved for the direct attention of the Governing Board and those which are necessary for the responsible discharge of the general supervisory function may not be delegated.

6- Those functions specifically set forth in these Regulations.

In particular, the Corporate Social Responsibility Committee shall carry out its activities with a view to addressing the following matters:

- The establishment, promotion and transfer to the Credit Institution's group of those corporate and ethical principles that entail desirable commitment to society and appropriate action which, in all cases, signify Corporate Social Responsibility

- The assessment of all types of information, events and communications that affect the Credit Institution's Corporate Social Responsibility

- The coordination of the Credit Institution's Corporate Social Responsibility policy, generating the appropriate communication and integration amongst the different departments and areas entrusted with these matters, as well as managing the study, implementation and monitoring of the manuals, processes and policies prepared in this regard

- The coordination of the Credit Institution's Corporate Social Responsibility activities and initiatives, with the aim of using and maximising all types of advantages that could bring these types of practices to the Bank

- The analysis of all the issues that affect the Credit Institution's Corporate Social Responsibility, assessing the activities that could arise from these and supervising the effects that could result in this regard

- The encouragement and establishment of initiatives to promote the Corporate Social Responsibility principles, criteria and practices that are deemed appropriate for the Bank based on its characteristics, fostering participation in the forums, institutions and work groups that exist in this field of activity

- The presentation to the Governing Board of all types of proposals aimed at promoting, adapting, managing, updating and in general, fostering an overall culture of Corporate Social Responsibility at the Bank.

The Committee shall prepare an Annual Report each year on the activities it has carried out as well as an action plan for the following year, which it will provide to the Governing Board."

B) Investment and Finance Committee

Pursuant to its Regulations, the Committee shall be comprised of six Governing Board members.

The members shall hold their Committee posts as long as they are Governing Board members, in the manner stipulated in the Entity's Articles of Association.

Participation in the Committee is not exclusive; its members may form part of other Committees which the Governing Board may decide to create with regard to matters within its powers.

The Committee must draw up an annual timetableschedule of ordinary sessions, which must be held at least four times a year at the initiative of its Chairman.

With regard to its functions, Section 3 of the Committee's Regulations sets forth the following:

"The objective of the Committee, which has no executive powers, is to assist the Governing Board in the fulfilment of the functions related to its powers, and to this end may:

1 - Examine the Entity's management with regard to matters within its powers

2- Carry out the instructions given by the Governing Board in those matters entrusted to it by this Board.

3- Make proposals to the Governing Board which it deems advisable regarding the Savings Bank's management activities, general strategies, member and customer relations, and any other matters deemed appropriate, within the scope of its powers.

4- Inform the Governing Board of the proposals which the members could make with regard to matters within the Committee's powers.

5- The functions delegated to it by the Governing Board.

Those powers legally or institutionally reserved for the direct attention of the Governing Board and those which are necessary for the responsible discharge of the general supervisory function may not be delegated.

6- Those functions specifically set forth in these Regulations.

In particular, the Investment and Finance Committee shall exercise functions of control in relation to the Departments of Risk Acceptance, Debt Recovery, Business Investments, and Treasury and Capital Markets within the Entity, all of which shall perform the following activities:

- Review of the activities carried out in relation to risk acceptance and debt recovery.
- Review of the modifications made to acceptance policies.
- Staying up-to-date with the modifications made to the general system of powers.
- Updating of the granting powers delegated to the branch network.
- Analysis of the credit contracts that are executed and the evolution of the loans and receivables portfolio.
- Staying up-to-date with the evolution of the irregular loans and receivables portfolio.
- Review of the evolution of the main borrowers.
- Review of the evolution of the largest doubtful and defaulted loans.
- Remaining informed of the state of CAJAMAR's Treasury and Capital Markets, assessing the availability of liquid assets existing in the Entity itself, as well as the possibilities of appealing to the interbank market and monetary policy instruments: unused lines, possibility of discounted instruments and access to the ECB's auctions.
- Remaining informed of the issue programmes, especially those already approved, and the securitisations to be performed.
- Assessment of the ability to move forward some of these programmes based on the Entity's needs.
- Monitoring the compliance of all the ratios set by the Entity in relation to Treasury and Capital Markets activities.

- Remaining informed of all the issues that should be made known to the Bank of Spain or any other body that supervises or regulates financial institution activity, and those related to matters such as liquidity and required ratios.

- Proposal of all activities deemed proper in relation to the economic and strategic decisions that are relevant for the Bank.

- Assessment of the realised investments which are significant to the Bank or deciding on divestiture initiatives.

- Supervision of the subsidiaries' activities, evaluating the information available on them.

- Analysis of the advisability of keeping the investments in the companies of which the Bank is a shareholder, or those cases in which the sale of the stakes in share capital would be more appropriate. Study of those cases in which it would be advisable to become a partner of any company.

- Verification of compliance with the guidelines issued to the corresponding departments in relation to the management of the subsidiaries or of the respective investments in their share capital.

The Committee shall prepare an Annual Report each year on the activities it has carried out as well as an action plan for the following year, which it will provide to the Governing Board."

C) Risk Committee

Pursuant to its Regulations, the Committee shall be comprised of six Governing Board members.

The members shall hold their Committee posts as long as they are Governing Board members, in the manner stipulated in the Entity's Articles of Association.

Participation in the Committee is not exclusive; its members may form part of other Committees which the Governing Board may decide to create with regard to matters within its powers.

The Committee must draw up an annual timetableschedule of ordinary sessions, which must be held at least four times a year at the initiative of its Chairman.

With regard to its functions, Section 3 of the Committee's Regulations sets forth the following:

"The objective of the Committee, which has no executive powers, is to advise the Governing Board on matters within its powers, for which it must:

a) Inform the Board of all the relevant issues of which it becomes aware during the course of its activities.

b) Propose the modification of policies and procedures that it deems advisable.

The matters within the Committee's powers are Credit, Market, Interest, Liquidity, Operational and Reputational Risks, as detailed below:

1) With regard to Credit Risk:

- Knowledge of the established acceptance policies and their degree of compliance.

- Knowledge of credit risk exposure and its relation to the limits established for its control.

- Knowledge of the effects of established policies and limits in relation to the entity's future exposure to credit risk.

- With regard to Market, Interest and Liquidity Risks:

- Knowledge of the policies in place for their management and their degree of compliance.

- Knowledge of the entity's exposure to each of these risks and its relation to the limits established for their control.

- Knowledge of the impact of these risks on the entity during an unfavourable evolution of the financial markets.

2) With regard to Operational Risk:

- Knowledge of the recorded losses due to operational failures.

- Knowledge of the procedures and systems in place to control and mitigate this risk.

3) With regard to Reputational Risk, derived from the failure to comply with supervisory legislation and standards, as well as with other administrative regulations applicable to customer relations:

- Knowledge of the policies and procedures in place to ensure compliance with the rules that govern:

    - Prevention of money laundering and terrorism financing.

    - Personal data protection.

    - Transparency and customer protection.

    - Securities market conduct.

    - Knowledge of the entity's degree of compliance with the abovementioned regulations.

The Committee shall prepare an Annual Report each year on the activities it has carried out as well as an action plan for the following year, which it will provide to the Governing Board.”

D) Business Committee

Pursuant to its Regulations, the Committee shall be comprised of five Governing Board members.

The members shall hold their Committee posts as long as they are Governing Board members, in the manner stipulated in the Entity's Articles of Association.

Participation in the Committee is not exclusive; its members may form part of other Committees which the Governing Board may decide to create with regard to matters within its powers.

The Committee must draw up an annual timetableschedule of ordinary sessions, which must be held at least four times a year at the initiative of its Chairman.

With regard to its functions, Section 3 of the Committee's Regulations sets forth the following:

“The objective of the Committee, which has no executive powers, is to assist the Governing Board in the fulfilment of the functions related to its powers, and to this end may:

1 - Examine the Entity's management with regard to matters within its powers.

2 - Carry out the instructions given by the Governing Board in those matters entrusted to it by this Board.

3 - Make proposals to the Governing Board which it deems advisable regarding the Credit Institution's management activities, general strategies, member and customer relations, and any other matters deemed appropriate, within the scope of its powers.

4 - Inform the Governing Board of the proposals which the members could make with regard to matters within the Committee's powers.

5 - The functions delegated to it by the Governing Board.

Those powers legally or institutionally reserved for the direct attention of the Governing Board and those which are necessary for the responsible discharge of the general supervisory function may not be delegated.

6 - Those functions specifically set forth in these Regulations.

In particular, the Business Committee shall discharge functions of control with regard to Entity's typical business in its various areas of activity, with special monitoring of the issues that concern the sales network's performance and the fulfilment of the general objectives determined for the Bank, all of which shall include the carrying out of the following activities:

- Supervision and monitoring of Cajamar's Expansion Plan, remaining informed at all times of the progress in this regard, with communication of the modifications, evolution and development related to this matter, and the preparation of related proposals for their submission to the Governing Board.

- Monitoring of the Commercial Objectives set by the Branch Network, controlling their implementation, control and execution, as well as the modifications that could be agreed in relation to them.

- Analysis of the Entity's main figures related to the Branch Network, obtaining general information on the data regarding all of Cajamar's branches.

- Control and assessment of the most important aspects related to Cajamar's business, in all the matters and areas which are considered significant enough to be passed on to the Committee.

- Supervision of Tangible Asset Management, submitting the proposals it deems advisable for its improvement, and the aspects that serve to facilitate a well-organised management of the tangible assets.

The Committee shall prepare an Annual Report each year on the activities it has carried out as well as an action plan for the following year, which it will provide to the Governing Board."

E) Appointment and Remuneration Committee

Pursuant to its Regulations, the Committee shall be comprised of four Governing Board members.

The members shall hold their Committee posts as long as they are Governing Board members, in the manner stipulated in the Entity's Articles of Association.

Participation in the Committee is not exclusive; its members may form part of other Committees which the Governing Board may decide to create with regard to matters within its powers.

The Committee shall meet when there are issues and matters within its powers which it must address. The Chairman shall call the meeting, determining in each specific case when the new session shall take place based on the information requested by the entity's senior management, without prejudice to the general recommendations and calendars approved by the Governing Board and its Executive committee, for the purpose of complying with regulations legally applicable to the Bank.

With regard to its functions, Section 3 of the Committee's Regulations sets forth the following:

"The objective of the Committee, which has no executive powers, is to assist the Governing Board in the fulfilment of the functions related to its powers, and to this end may:

1- Examine the Entity's management with regard to matters within its powers.

2- Carry out the instructions given by the Governing Board in those matters entrusted to it by the Board.

3- Make proposals to the Governing Board which it deems advisable regarding the Savings Bank's management activities, general strategies, member and customer relations, and any other matters deemed appropriate, within the scope of its powers.

4- Inform the Governing Board of the proposals which the members could make with regard to matters within the Committee's powers.

5- The functions delegated to it by the Governing Board.

Those powers legally or institutionally reserved for the direct attention of the Governing Board and those which are necessary for the responsible discharge of the general supervisory function may not be delegated.

6- Those functions specifically set forth in these Regulations.

In particular, the Appointment and Remuneration Committee shall control and advise on matters related to the selection and appointment of the Entity's senior management staff, together with the remuneration system for the Credit Institution's directors and senior executives, all of which will include the following activities:

- To provide information on the appointments and terminations of senior executives which the Managing Director proposes to the Board, assessing the abilities, knowledge and experience necessary for their posts, and as a result, defining the skills and aptitudes the candidates must posses to fill each vacant post.

- To propose to the Governing Board:

  a) The remuneration policy for directors and senior executives.

  b) The individual remuneration of the executive directors and the other conditions of their contracts.

  c) The basic conditions of the senior executives' contracts.

- To ensure compliance with the remuneration policy set in place by the Entity.

The Committee shall prepare an Annual Report each year on the activities it has carried out as well as an action plan for the following year, which it will provide to the Governing Board."

B.2.4. Specify the number of meetings which the Audit Committee has held during the year:

Number of meetings	6

B.2.5. En el caso de que exista la comisión de nombramientos, indique si todos sus miembros son consejeros o miembros del órgano de administración externos.

Yes x	No

C) RELATED-PARTY TRANSACTIONS

C.1. Provide details regarding the relevant transactions that entail a transfer of resources or obligations between the entity or entities of the group and the entity's most significant shareholders or stakeholders:

Name or business name of most significant shareholder or stakeholder	Name or business name of the entity or entities of the group	Nature of the relationship	Type of transaction	Amount (thousands of euros)

C.2. Provide details regarding the relevant transactions that entail a transfer of resources or obligations between the entity or entities of the group and the Governing Board members or entity executives:

Name or business name of the Governing Board members or executives	Name or business name of the entity or entities of the group	Nature of the relationship	Type of relationship	Amount (thousands of euros)

C.3. Provide details regarding the relevant transactions carried out with other entities from the same group, provided they are not eliminated during the preparation of consolidated financial statements and they are not part of the entity's normal business activity with regard to its purpose and conditions:

Business name of the group entity	Brief description of the transaction	Amount (thousands of euros)

C.4. State any conflicts of interest, if any, involving members of the entity's Governing Board, in accordance with Article 127 ter of the Spanish Public Limited Companies Act (LSA).

C.5. Provide details regarding the mechanisms in place for detecting, determining and resolving possible conflicts of interest between the entity or its group and its Governing Board members or executives.

In accordance with legislation on Credit Cooperatives, the resolutions passed by both the General Assembly and the Governing Board may be challenged, provided they are contrary to law or the Articles of Association, or they harm, to the benefit of one or more members or third parties, the interests of Cajamar Caja Rural, Sociedad Cooperativa de Crédito.

More specifically, the Articles of Association include the following provisions to this regard:

- In relation to the Preparatory Meetings (Juntas Preparatorias), Article 20.2 rules out the right to vote when there is a conflict of interest. According to this Article, a situation is considered conflictive in the following cases:

    A) Voting on acts or contracts in which the member, or their relatives up to second-degree by marriage or blood, will be an interested party as a third-party to a contract with the cooperative, without including in this case cooperative activities and services.

    B) Voting that specifically affects the member, either because it entails assessing the just cause for disqualification they provided in order to reject a post, or because it involves deciding whether to excuse or benefit that member, in the interim and by just cause, in relation to compliance with certain obligations.

    C) Those cases which, as they are not included in the two previous sections, are set forth by the Spanish Limited Liability Companies Act (LSA).

- Cases of conflict of interest within the Governing Board are described in Article 29 of the Articles of Association, which sets forth the following terms:

1. The member is considered to be involved in a conflict of interest when:

   A) It is a matter of undertaking non-cooperative obligations or transactions with the member or with their relatives up to the second degree by marriage or blood, as set forth in Article 42.1 of Cooperatives Law 27/1999.

   B) Votes are going to be cast on a derivative action against the member, namely: to file, settle or waive the action.

   C) Non-cooperative operations or services are decided upon in favour of a member or one of their relatives previously indicated in section a).

   D) A resolution will be made to constitute, suspend, modify, substitute by novation or eliminate obligations or rights of the cooperative with entities in which the member of their abovementioned relatives are owners, directors, administrators, senior executives, advisors or members based on a stake in the share capital equal to or greater than 5%.

   E) One of the cases stipulated in Article 27, Number 4 or in other provisions of these Articles of Association arises

   F) Any of the other cases of conflict set forth in the Spanish Limited Liability Companies Act arises.

2. The resolutions referred to in the previous number shall be adopted by the bodies and with the requirements and guarantees set forth in relevant legislation and these Articles of Association.

3. In the event of a conflict of interest, as previously stipulated, the affected member(s) must abstain from voting in however many bodies will be deciding in this regard.

Moreover, these conflict-of-interest votes shall comply at all times to the provisions in Article 24 of the Credit Cooperative Regulations, RD 84/1993 of 22 January, which reads as follows:

Article 24. Operation of the Board

1. The resolutions regarding the matters referred to in the following Article require a favourable vote from two-thirds of the members.

2. Save a provision in law or the Articles of Association which stipulates otherwise, the Governing Board's deliberations and resolutions shall be of a secret nature. Violation of this rule shall be considered a very serious infringement of the Articles of Association or of labour law and cause for dismissal, without prejudice to other liabilities that may arise.

3. Without prejudice to the provisions of Article 63 of Law 3/1987, insofar as it governs other conflict-of-interest cases submitted for decision by the Meeting, the governing resolutions regarding cooperative operations or services in favour of members of the Governing Board, executive committees, and the remaining bodies referred to in Article 26 on General Management, or of the relatives of any of those within the limits set forth in the abovementioned legal provision, shall be necessarily adopted by secret vote, upon inclusion of the matter in the agenda with due clarity, and with a majority of at least two-thirds of all the members.

If the beneficiary of the operations or services is a member or one of their previously mentioned relatives, the situation shall be considered a conflict of interest and this member will be excluded from the voting.

Once the secret vote has taken place and the result has been announced, the respective reservations or discrepancies in relation to the adopted resolution may be placed on record in the minutes.

The provisions in the previous paragraphs of this section 3 shall also be applicable when action is taken to constitute, suspend, modify, substitute by novation or eliminate obligations or rights of the cooperative with entities in which those posts or their abovementioned relatives are owners, directors, administrators, senior executives, advisors or members based on a stake in the share capital equal to or greater than 5%.

D) RISK CONTROL SYSTEM

D.1. General description of the risk policy of the company and/or its group, detailing and assessing the risks covered by the system, together with the evidence of the adaptation of these systems to each risk type's profile.

Due to the increasing complexity of the financing business, an increasingly competitive environment and the need to constantly improve the efficiency of the allocation of the resources available in financial activities, it is crucial that the risk inherent to banking activity is handled appropriately.

Credit risk arises from the possible loss caused by non-compliance with the contractual obligations undertaken by the Entity's counterparties. With regard to redeemable financing granted to third parties (in the form of credit, loans, deposits, securities, etc.) this risk arises in the event of failure to recover 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 assume them as its own, by virtue of the agreed commitment.

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

Nevertheless, in addition to credit risk, this Corporate Governance Report also describes market risk (which encompasses interest rate, price and exchange rate risks), liquidity risk and operational risk existing in the Entity, as well as the control systems already established or in the process of being established to assess, mitigate and/or reduce these risks.

1) Credit risk

With regard to credit risk management, 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 the management.

The Entity's credit business is centred 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.

The Entity has a Manual of Policies and Procedures for Credit Risk Management and Control . This Manual had been updated and adapted to the Entity's organisational changes during 2008 by means of Governing Board resolutions. This Board initially approved the Manual in 2005, which includes, inter alia, the principles and criteria for guiding credit risk management. Hence, the requirements of Appendix IX of Bank of Spain Circular 4/2004 regarding "Credit Risk" are considered fulfilled.

Additionally, as financial institutions receive differentiated treatment, the Methodology Manual for the Control of Financial Institution Credit Risk has been created. This Manual was approved by the Assets and Liabilities Committee in 2005 and serves as the basis for the establishment and periodic review of the limits of these institutions' credit risk, as well as for the setting of the measurement criteria for the risks assumed.

Management and measurement of credit risk

The authority/power system regarding the granting of credit operations, by virtue of the aforementioned Manual, is organised as follows:

Description of the bodies with authority

The bodies with the authority to grant credit operations, according to their powers, are the Executive Committee, Investment Committee, Business Committee, Regional Risk Committees, Labour Financing Committee, Microcredit Committee, Private Authorisation Centre and Branches.

Analysis and approval of credit risk

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

- The beginning of a credit risk operation involves the recording, by 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 its 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 granting process. If this department requires additional information for its analysis, it requests it from the branch that began the operation.

- At the 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 Acceptance Department is responsible for carrying out this task, reporting the operations whose approval should be submitted to higher authorities.

Special procedure for related parties

- Governing Bodies and Senior Management Operations

  Operations involving members of the Governing Bodies and General Management, their spouses, children or up to 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 of the Entity's subsidiaries must be handled by the Executive Committee, regardless of their amount.

Global Risk Management Project (implementation of Basel II)

Credit rating models

During 2008, Cajamar has continued the process of incorporating into credit risk management the models developed within the framework of convergence to the requirements of Basel II, in both the areas of individuals and businesses.

- Individuals:

  With the aim of optimising the assessment of customers' credit quality and, specifically, the measurement of their payment capacity, various operational and methodological improvements have been made. Thus, with regard to the proactive scoring model for private individuals, more assessable products are available in order to provide better financing services in the business realm. At the same time, the calculation algorithm of indebtedness limits has been optimised.

  For the reactive scoring model, payment capacity estimation has been improved, perfecting the calculation of the cash balance and its influence on the final operation report.

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

- Businesses:

  As happens every year, the necessary adjustments have been made to the rating model developed for the assessment of the intensive fresh produce operations. As a result, the sector parameters have been updated and adapted to the new agricultural campaign. The degree of integration into rating management provided by this model has continued, maintaining the approval boundaries that influence the level of functions conferred to the sales network.

  Halfway through the year, a reactive scoring model specifically for small businesses was implemented, covering the group of self-employed workers in the realm of private individuals and also micro-businesses within the realm of legal entities.

The end of the year saw the development of a proactive scoring model aimed at the micro-business segment, based on the knowledge that the Entity has on our customers. Once it has been implemented in our systems at the beginning of 2009, the mapping of models for the small business group will be complete.

With the aim of rendering the business rating models more useful, the Entity has continued with the development and implementation of a system that translates this rating into a maximum indebtedness level by product type.

In order to complement the system described in the previous point and to update the business credit rating, another rating model has been developed and implemented which automatically reassesses the businesses. Thus, this rating is updated on a monthly basis.

Risk quantification

Different activities designed to continually improve the quantification of credit risk have been carried out during 2008, with the aim of expanding the framework of knowledge of each of the factors involved in its determination.

In order to maintain the suitable quality of the data necessary for designing methodologies, improvements have been made to optimise the databases used for creating and calibrating models. Likewise, in order to homogenise the information, progress has been made in the project 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 processes necessary for a new calibration of the assessment models have also been carried out, updating the Central Default Trends observed and the Exposure and Severity factors.

Progress has also been made in the integration into management of the "Expected Loss" concept. As a result, the transactions evaluated by the credit rating models, during the granting process, incorporate this concept as data disclosure, used by agents when making decisions in terms of profitability and price in accordance with the risk they bear.

Estimate of Economic Capital

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

Integration into management

The entity has continued to develop actions in 2008 aimed at supporting the various agents involved in credit risk management in their daily activity through the integration of the credit risk models into management.

Thus, within the realm of private individuals, special precautionary guidelines have been established for the approval of those operations with a greater probability of non-compliance. Moreover, ordinary powers have been adapted on the basis of the reports offered by the implemented scoring models.

The aim of all these procedures, in addition to providing the Entity with a global credit risk management model, is 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 or Basel II).

Counterparty risk

Counterparty risk is the risk of loss due the failure of a counterparty to comply with its payment obligations. It is a variant of credit risk, which includes all types of exposures with credit institutions, as well as the solvency risk assumed in treasury operations (bonds, repos, derivatives) with other types of customers.

The control activities are carried out by means of an integrated system in the cash management application, which makes it possible to assess, at all times, the line of credit available with any counterparty, for any product and term.

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 from all factors that could positively or negatively affect the returns/costs associated with 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 non-payment and possible situations of non-liquidity.

This exposure is analysed from two perspectives: the impact on the Income Statement and the analysis of Economic Value, employing methodologies widely used throughout the financial system.

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 instruments traded on the market.

The Entity uses a cash management software application, 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 offered by speculative positions. Nevertheless, the cash management software application has a module for market risk analysis and control based on the Value at Risk (VaR) methodology. With this methodology, it aims 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 that define the model's operation are: a 99% level of reliability; a 1-day time horizon; and a 1-year timing window with equally-weighted mobile measures.

The application also makes it possible to define a limit structure, for the purpose of controlling 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 which are based on non-statistical measurements, such as stop-loss on cash positions and capital markets.

Following the recommendations set out in the 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 through the VaR methodology with real losses.

The model also enables stress-testing scenarios to be parameterised in order to quantify the maximum potential loss in the value of a portfolio in extreme scenarios of change in the risk factors to which this 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.

c) Liquidity risk

This risk reflects a credit institution's possible difficulty 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 Assets and Liabilities Committee (ALCO) is the committee responsible for optimising the Entity's liquidity. The management performed by the ALCO includes the following functions:

- Analysis of the current situation of equity components

- Analysis of the foreseeable evolution of these components in situations of business inertia

- Expected strategic development: profitability and risk objectives

- Evaluation of risks to which the Entity is subjected, with particular attention to interest rates and prices of financial assets.

- Analysis of the evolution of the applied spreads, with special attention to competitors.

- Simulation of scenarios, from the most probable to the most extreme.

- Continuous monitoring and analysis of deviations. Corrective measures.

- Analysis and implementation of the legal and regulatory modifications.

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

Risk is assessed through the analysis and management of different gaps (static and dynamic) and liquidity ratios.

Another of the objectives set within the global liquidity management framework is to maintain a suitable diversification of financing sources, for the purpose of having a wide range of tools that enable flexible, agile and cost-adjusted liquidity management.

d) Operational risk

The Bank of Spain Guide for the application of the Standard Method for determining Eligible Capital by Operational Risk defines this risk as that which causes loss as a result of: a lack of adaptation; a failure in the processes, personnel or internal systems; or external causes. This definition includes legal risk and excludes reputational risk.

During 2008, the Entity has continued to make progress, through its Operational Risk Control office, in the defining, developing and implementation of a specific methodology for operational risk management and measurement.

The defined organisational structure guarantees the basic principles set forth by the Basel Committee on Banking Supervision:

- Independence of the Operational Risk Unit with respect to the business units, which shall be reviewed 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.

Aware of the importance of appropriate control and management of operational risk at the strategic level, the Entity is working on implementing an advanced operational risk management model (Advanced Measurement Approach - AMA), which will be subject to the Basel II requirements and to the qualitative and quantitative requirements for applying advanced models.

The directing of operational risk management towards the AMA model complies with the fundamental objective of improving quality in process management, offering operational risk information, while defining and developing measures for the mitigation, management and control of these risks.

This main objective can be subdivided into the following premises:

- To promote an operational risk management culture within the Entity aimed specifically at raising awareness of risk, responsibility and commitment to quality.

- To comply with the regulatory framework and optimise capital allocation.

- To establish systems that continually improve the Entity's processes from the point-of-view of operational risk and develop controls that minimise possible risk exposure.

D.2. State the control systems in place for assessing, mitigating or reducing the main risks of the company and its group.

1) Credit risk

The Audit Committee and Internal Audit Department are the bodies responsible for ensuring that the policies and procedures contained in the Policies and Procedures Manual for Credit Risk Management and Control are suitable, effectively implemented and regularly reviewed.

Furthermore, the Credit Risk Control Department is responsible for:

- Maintaining ongoing knowledge of the evolution of the Entity's major borrowers.

- Ascertaining and evaluating of 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 hedging of Cajamar's credit exposures.

- Foreseeing, in terms of the general and sectorial economic trend, exposures to credit risk by undesirable portfolios and 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 who have been non-compliant.

On the other hand, the Debt Recovery Department is dedicated to loan default management, assuming the direct responsibility for this management where necessary, and the management of the pre-contentious stage of defaulted operations.

Credit risk management includes the different stages of the loan's life and the different customer segments. The risk is managed from the acceptance stage, continued throughout the monitoring stage and ends upon recovery. To that end, 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 taken, which are initially carried out at the branch whose balance sheet contains the operation and then controlled and supervised by the Debt Recovery Department.

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 record to the Debt Recovery Department. From there it is sent to the Internal Litigation Office of the Legal Affairs Department for the commencement of the legal claims process for the loans in question, except in cases where its deferral has been authorised.

A lawsuit will be carried out once all the steps to settle the defaulted operation in an amicable manner have been exhausted and the existence of conditions for predicting that legal actions against the debtor will result in the debt's repayment has been analysed. In cases of fraudulent operations, irrespective of their amount, the records shall be sent to the Legal Affairs Department, which will analyse the viability of civil or criminal legal actions that could lead to recovery of the debt.

The Legal Affairs Department has in turn established mechanisms aimed at remaining informed with regard to all customers who, having received a loan from the Bank, have been declared insolvent. Once the Entity is aware of this insolvency situation, the appropriate Office of the Legal Affairs Department shall obtain the supporting documents regarding the outstanding loan with the insolvent customer in order to present them in a timely manner. This Office shall appear at the Insolvency Proceedings in order to follow their progress and, insofar as is possible, provide viable solutions.

The legal proceedings which have commenced that include impounded or mortgaged property shall continue until they have been settled through collection or the legal auction of goods, and shall not be interrupted, save those exceptional cases in which there are sound reasons to do so. In this case, each specific case shall be analysed with a view to finding a reasonable solution, taking into consideration the circumstances that arise in each case, being especially sensitive to those in which families which are severely affected by the current economic situation.

Total exposure to credit risk concentration control

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.

As risk diversification is a guidance criterion in Cajamar's Credit Risk management and control policies, various controls have been established in relation to risk concentration:

Concentration limits with borrowers and risk groups

Bank of Spain Regulations set forth that no customer or group of customers that 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 ratio are used for these calculations.

Furthermore, the Entity has established limitations on risk concentration by borrower and economic group that are noticeably stricter than those required by the Bank of Spain, specifically:

- Risks incurred with an individual borrower, or a group of borrowers that form a risk group, cannot exceed 10% 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 greater than 4% of the Entity's eligible capital base. The sum of the risks of the relevant exposures must be less than four times the eligible capital base.

Concentration limits with specially-related companies

Companies that have a special relationship with Cajamar are those which, not belonging to its consolidated group, meet one of the following circumstances:

- Cajamar directly or indirectly holds at least 5% of its capital, if it is a company that has securities traded on an official secondary market, or 10% if it does not.

- Cajamar or an individual appointed by it, is a member of the company's governing body, or an agent with full powers, or has carried out these posts at some point during the last two years.

- Of this group of companies, those in which Cajamar holds control shall be differentiated from those in which it does not. The risks incurred with both sub-groups shall remain subject to the following limits, expressed in percentage of eligible capital base:

    - Companies controlled by Cajamar

        - Limit on accumulated risk with each company: 5%

        - Limit on the sum of the risks of all the companies: 10%

    - Companies not controlled by Cajamar

        - Limit on accumulated risk with each company: 5%

        - Limit on the sum of the risks of all the companies: 50%.

Concentration limits in risk portfolios

Based on the internal criteria for monitoring loans and receivables, a limit structure has been established by segment, portfolio and sub-portfolio. These segments, portfolios and sub-portfolios are defined as the most homogeneous risk groups possible to which uniform management policies and assessment systems can be applied.

Counterparty risk

Counterparty risk management is carried out through a risk limit system that is incorporated into the cash management application, making it possible to automate control processes and streamline daily operations. This structure has been supplemented with an alert system and line blocking.

During 2008, a monthly review system was put in place for counterparty risk lines, in comparison with the annual review that was carried out previously. With this new approach, the credit quality of the different counterparties is reviewed at least once a month. If necessary, the respective risk line adjustment is made.

The Credit Risk control of cash operations has taken shape in a reporting system that makes daily risk monitoring possible from different viewpoints:

- Global Credit Risk
- Credit Risk by Term (counterparties and products) and Products
- Concentration of Credit Risk by the counterparty's Sector, Country and Rating
- Surplus Analysis (occasional and adaptable to the specific case of surplus)

Likewise, and owing to its special relevance, a daily check is conducted on the operation at Interbanco, controlling the daily positions, credit risk and effective collection of the principal and interests due.

2) Market risk

Interest rate risk

Exposure to this risk is analysed by employing methodologies widely used throughout the financial system and from two perspectives: as impact on the Income Statement and through the Economic Value analysis.

Income Statement Perspective:

The impacts resulting from different scenarios of interest rate variation are analysed by means of dynamic gaps. The sources of interest rate risk subject to analysis are:

- Curve level risk, derived from the uncertainty of the future evolution of interest rates. This risk is assessed by simulating the rise and fall of interest rates on the forward curve discounted by the market, which is obtained from the zero coupon curve.

- Curve slope risk, basically derived from an irregular and inconsistent movement of the slope between the different interest rate curves. This risk is assessed using simulations in scenarios where the curve is flattened and made more positive, as well as in extreme simulations of individualised disruptions of the rates for certain period of time, taking into account the current scenario.

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.

Price risk

Although the Entity's current cash management activity is risk hedging and not the assumption of speculative positions, the application of the VaR methodology through the SGT tool makes it possible to have tools that analyse and control market risk and set overall limits, by management portfolio or by product type, as well as a back-testing programme and stress test estimates.

3) Liquidity risk

For the management of this risk, the Entity has different gaps and liquidity ratios that enable the analysis of the current situation and possible future evolution as regards liquidity and which support the ALCO's decision-making processes:

- Static liquidity gap: These are caused by cash flows on the Entity's equity components. These cash flows come from a static analysis, 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, primarily 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, in addition to optionality assumptions, basically linked to the application of prepayment options.

- Liquidity Profile Ratio (LPR): 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 on a daily basis. Likewise, the ALCO's procedures manual includes appropriate contingency plans for non-liquidity situations.

* Financing structure ratios: The Entity has implemented different ratios to analyse and monitor the Entity's financing structure, paying special attention to wholesale funds, in the interests of maintaining an appropriate balance with the retail funds and a suitable diversification of sources and instruments, while avoiding undesirable concentrations of instrument and/or issue maturities within a certain period of time.

4) Operational risk

Throughout 2008, the Entity has continued working towards the consolidation of the systems, mechanisms and controls which comprise the operational risk management cycle from an advanced model perspective:

* New Operational Risk Coordinators have been appointed and improvements have been made in their training.

* The annual review has been carried out on the mapping of processes, risk and controls, all of which is supported by an online tool named GIRO (Gestión Integral del Riesgo Operacional- Integral Operational Risk Management).

* As part of the qualitative assessment of operational risk, the third self-assessment process has been carried out with the operational risk coordinators. The aim is to identify, analyse and mitigate the most relevant risks using a dynamic Action Plans procedure.

* Progress has been made with the monitoring process for indicators which represent the level of exposure to the most relevant risks arising from risk mapping, establishing alert levels as well as action levels, if applicable, all of which are supported by the GIRO tool.

* The processes of detecting, classifying, managing and reporting operational risk events based on accounting and non-accounting sources have been improved and completed, all within the GIRO system. This event process is carried out on a monthly basis.

* Additionally, the Entity is part of the international operational risk consortium ORX and the Spanish operational risk consortium CERO, as significant forums within the realm of operational risk management. Another significant aspect is the availability of external data for the purposes of modelling, scenario analysis and benchmarking of the Entity with the sector, especially for high-severity, low-frequency events.

* There is a procedure in place for the periodic reporting of the most relevant risks, the state of the control environment and operational losses.

* Lastly, mechanisms are being developed which estimate the capital requirements related to this risk source, based on internal and external event data, scenario analyses and qualitative assessments of risks and the control environment. In this regard, the HEROE and SCORECARD tools have been implemented, aimed at supporting the calculation and reporting processes, which are currently being parameterised and adapted.

D.3. In the event that certain risks have arisen which affect the company and/or its group, state the circumstances which have caused them and whether the established control systems have operated correctly.

The safeguards in place, as well as the risk approval channels and circuits, operate normally. There are no defects in the application of the procedures established to this end.

D.4. State whether there is a committee or other governing body responsible for establishing and supervising these control devices and describe their functions.

The Audit Committee, Risk Committee, Investment and Finance Committee as well as the Business Committee supervise the various matters which are the subject of this section, within the purposes and functions assigned to them, as detailed in the corresponding sections.

E) GENERAL ASSEMBLY OR EQUIVALENT BODY

E.1. List the quorums needed to validly constitute the general assembly or equivalent body set forth in the Articles of Association. Describe how they differ from the minimums set forth in the Spanish Public Limited Companies Act (LSA) or applicable legislation.

In accordance with the provisions of Article 15 of the Articles of Association, taking into account the high number of members of the SAVINGS BANK, its supra-regional scope and the consequent difficulty of simultaneously gathering all these members at the General Assembly, the powers of this body are exercised by means of a Meeting comprised of the Representatives appointed at Preparatory Meetings by those who hold corporate posts.

With regard to the constitution of the Preparatory Meetings, Section 5 of Article 21 of the Articles of Association stipulates the following:

The quorum required to validly constitute the Preparatory Meetings shall comply with the following rules:

A) On first call, the members, either present or represented, in attendance must represent at least 51% of the total votes of those appointed to the respective Meeting.

B) On second call, the attendees (including those represented) must equal at least 5% of the total votes of the core members appointed to the Meeting. However, if the total number of all the members with the right to attend is less than 100, a least six members with voting rights must attend; when the number of appointed members is greater than 500, at least 25 members with voting rights, either present or represented, must be in attendance.

Moreover, Section 2 of Article 23 of the Articles of Association stipulates that the General Assembly shall be validly constituted when the following requirements are met:

A) The previous effective holding of more than three-fourths of all the Preparatory Meetings provided for in this Article.

B) To be validly constituted on first call, more than half of the total Representatives selected at the previously-held Meetings and of all the members that hold posts at the CREDIT INSTITUTION must be in attendance; on second call, the attendance of over 40% of all the appointed Representatives and of the corporate posts shall be sufficient.

E.2. Explain the system by which the corporate resolutions are adopted. Describe how it differs from the system provided for in the Spanish Public Limited Companies Act (LSA) or applicable legislation.

As a Credit Cooperative, Cajamar complies with its own regulations and Articles of Association, which set forth a system for the adoption of resolutions by the General Assembly different from that stipulated in the Public Limited Companies Act.

Article 24 of the Articles of Association currently in force includes applicable legal provisions, prescribing the manner in which the respective corporate resolutions are adopted.

As indicated, and with a view to accurately describing the manner in which the resolutions are adopted and its differences with Public Limited Companies legislation, the aforementioned Article 24 of the Articles of Association is transcribed below:

Article 24. Majority system in the Meeting of Representatives

1. As a general rule, the Meeting of Representatives shall adopt resolutions when over half of the votes validly cast are in favour. To this end, blank votes and abstentions are excluded. The electoral resolutions, which appoint the members and alternates of the corporate bodies and the remaining appointing bodies, shall be decided upon by the majority of votes cast.

Under no circumstances may there be a casting or deciding vote.

2. A majority of two-thirds of the present and represented votes shall be necessary for:

a) Joining or resigning from a cooperative group included in those governed in Law 27/1999.

b) Modifying these Articles, without prejudice to the fact that the resolution for adaptation to Cooperatives Law 27/1999, and the new resulting Articles in the adapted section, may be adopted when over half of the present and represented votes vote in favour, as provided for in this Act.

c) Approving the merger, full transfer, spin-off or winding-up of the Entity, except when the latter must take place due to legal cause. In this case, the ordinary majority shall be sufficient for the Meeting to place it on record.

d) Disposal or transfer by the Entity of any instrument, or part thereof, which causes a significant modification in the Cooperative's financial, organisational, functional or equity structure, assessed in accordance with the provisions of Article 14, Section 2.g) herein.

e) Recapitalisation of the Entity, if applicable.

f) Issuance of bonds or other securities, if so required by relevant legislation.

g) Agreeing upon the revocation or early dismissal of the Governing Board, Supervisors or Fund Committee or any of their members, except in cases of flagrant offence, very serious violations confirmed by the Ministry of Finance and the Economy, or the existence of a case which makes it necessary to immediately remove the liable party.

h) Any other cases for which current provisions require the aforementioned majority.

E.3. List the rights of the shareholders or stakeholders compared with the Meeting or equivalent body.

With regard to the Preparatory Meetings and the Meeting of the Representatives, the members may exercise the following rights, in accordance with the Articles of Association and within the regulatory framework of credit cooperatives:

- To make informational proposals and requests to all the corporate bodies, within their respective powers.
- To attend and participate, with speaking and voting rights, at the Preparatory Meetings and through the Representatives, in the adoption of resolutions by the General Assembly.
- To receive the information necessary for the exercising of their rights and compliance with their obligations, within the terms set forth in current legislation, the Articles of Association or as agreed by the General Assembly.

E.4. Briefly state the resolutions adopted at the General Assemblies or equivalent bodies held during the year referred to herein, and the percentage of votes that led to their adoption.

During 2008, one single session of the Entity's General Assembly has been held, which has been of an ordinary nature.

It took place on 3 April 2008 and, in accordance with the respective Agenda, adopted the following resolutions:

- Approval of the Individual and Consolidated Management Report and the Individual and Consolidated Annual Accounts for the year ended 31 December 2007, distribution of available surpluses and basic lines with regard to the use and application of the Education and Development Fund (Unanimously).
- Delegation to the Governing Board of the fixing of interest rates for the Contributions to Share Capital, time and method of payment (Unanimously).
- Authorisation to the Entity's Governing Board for the issuing of financial instruments for a maximum amount of Euros 2,500,000,000 (Unanimously).
- Appointment of Auditors for the year 2008 (Unanimously).
- Authorisation to the Governing Board for the early granting of amounts corresponding to the Education and Development Fund, from 1 January 2009, until the holding of the Ordinary General Assembly in 2009 (Unanimously)
- Appointment of three Members (and their deputies) for the subsequent approval of the Minutes, together with the Chairman, within the fifteen days following the holding of the General Assembly (Unanimously).

E.5. State the address for the corporate governance information on the Entity's website and how it can be accessed.

Cajamar's website (www.cajamar.es) has two sections, which are clearly visible on the home page, that contain corporate governance content: “Information for members” and “Information for investors”.

The “Information for members” section, visible as indicated on the home page, can be accessed by the user with just one click. Once the user has entered this section, they can view the link to the Corporate Governance Report for the corresponding year.

Likewise, the “Information for investors” section can also be accessed by the user with just one click. Once the user has entered this section, they can directly access the link to the Corporate Governance Report for the corresponding year.

E.6. Indicate whether meetings have been held of the different syndicates, if they exist, of holders of securities issued by the entity, the purpose of the meetings held during the year to which this report corresponds, and the main resolutions adopted.

The Entity issued, by public deed executed on 5 December 2001, Subordinated Bonds in the amount of Euros 60 million. The respective Bond Holders Syndicate has not held any meetings during the last year.

The Entity also issued, by public deed executed on 15 December 2004, Straight Bonds in the amount of Euros 400 million, with the constitution of the respective Bond Holders Syndicate, registered with the Commercial Registry of Almeria on 16 December 2004. No meetings of the Bond Holders Syndicate related to this issue were held during the last year.

The Entity issued, by public deed executed on 8 March 2005, Subordinated Bonds in the amount of Euros 300 million. The respective Bond Holders Syndicate has not held any meetings during the last year.

In accordance with new relevant regulations, the Entity issued, by Private Issue Document dated 6 July 2006, Straight Bonds in the amount of Euros 400 million. The issue was registered on 13 July with the Registry of the CNMV (Spanish National Securities Market Commission), and the Securities Note dated 18 July was registered on 20 July 2006. The respective Bond Holders Syndicate has not held any meetings during the last year.

F) DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the degree of the entity's compliance with the current corporate governance recommendations or, if applicable, its non-compliance with these recommendations.

In the event that the entity has not complied, explain the recommendations, standards, practises or criteria which it has applied.

Insofar as the document referred to in ECO/3722/2003 ORDER of 26 December has not been prepared, the recommendations in the Olivencia Report and Aldama Report should be used as a reference for the completion of this section, to the extent that they are applicable to the entity.

Cajamar Caja Rural, Sociedad Cooperativa de Crédito, in accordance with its legal nature, complies with legislation on Credit Cooperatives and its Articles of Association.

Thus, according to the cooperative principle of 'one member, one vote', together with the limits set forth in the Articles of Association for stakes in the entity's capital, it can be confirmed that there are no members with significant stakes, or stakes that could entail direct or indirect control with regard to general control of the entity or the appointment of Governing Board members.

The most significant points with regard to the members' relationship with the entity can be summarised as follows:

- No member may directly or indirectly hold a stake in an amount greater than 2.5% of the share capital amount, for individuals, or greater than 5% for legal entities.

- Each member may have only one vote at the Preparatory Meetings, irrespective of the amount of their stake (the status as member being the only determining factor). The respective Representatives for the General Assembly are selected at these Preparatory Meetings.

- There is only one procedure (in the General Assembly) for the election of the Governing Board members: closed-list candidate system. No member may appoint, on their own, one or more members.

In accordance with the aforesaid, there is an equal distribution of voting rights, which complies with pure cooperative and democratic principles in the taking of the entity's decision. No member may hold voting rights that could signify a position of privilege, the taking decisions on their own or that ensure influence or weight in the election of Governing Board members.

Also noteworthy is the situation of the Governing Board, where all its members must be considered as external or independent, as their appointment does not directly or indirectly depend on any member.

Specifically, with regard to the Governing Board's composition and term of office, the Articles of Association set forth that the Savings Bank's Governing Board shall be comprised of 15 members, 14 of which shall be elected from amongst its private individual members or the representatives of entity members, by the General Assembly, in secret vote, with a majority of votes cast. The fifteenth member of the Governing Board shall be an employee of the Entity, with an employment contract for an indefinite period of time. This individual shall be elected as a Member by a Special Meeting of permanent employees, when this Entity has more than one Works Council. Otherwise, this Council shall elect the Member.

It is also stipulated that: The candidates for the Board shall be presented through a closed list system, specifying the different posts to elect.

Lastly, Section 5 of this same Article provides for the simultaneous election of seven alternates for the Governing Board.

As a result, no special procedure is stipulated that allows members with a certain amount of capital to directly elect members, nor are there formulas for grouping stakes or similar holdings, which would be contrary to the purposes of credit cooperatives.

Therefore, it is made clear that:

- No member may have stakes in an amount greater than 5% of the share capital amount.
- Irrespective of the aforesaid, each member shall have only one vote at the Preparatory Meetings, during which the respective Representatives for the General Assembly shall be elected.
- Moreover, the Articles of Association prohibit the carrying out of competitive activity by members.
- There is only one procedure (in the General Assembly) for the election of the Governing Board members. No member may appoint, on their own, one or more members.

In view of the foregoing, it is clear that by the legal method of this agricultural credit bank and the provisions of its Articles of Association, no members can have decisive control over this bank, or make their decisions at the General Assembly binding based on their stake in the savings bank's share capital, or obtain special representation in its governing body. Thus, the independence of the savings bank's actions with regard to third parties always remains guaranteed.

The operation of the Board and its Delegated Committees has been clearly explained throughout this report, although express mention must be made of the recent approval of the Action Regulations within the Scope of the Securities Market, as well as of the significant work carried out by the Governing Board's Committees.

Lastly, as regards compliance with the Corporate Governance recommendations, it must be noted that it is evident that this entity has worked to increase the independence of the Governing Board of Credit Cooperatives, with the creation of Committees which are dependent on this governing body. In this same regard, progress has been made in relation to: Significant Events information provided to the CNMV and investors; the obtaining of ratings from the respective rating agencies; and the corporate information offered on the Entity via its website.

G) OTHER INFORMATION OF INTEREST

If there is a relevant principle or issue related to the corporate governance practices applied by the entity that have not been addressed in this report, state them below with a description.

This section may include any other information, clarification or points related to the previous sections contained herein, insofar as they are relevant and not repetitive.

Specifically, state whether the entity is subject to non-Spanish legislation with regard to corporate governance and, if so, include all information that must be provided and which differs from that requested in this report.

This annual corporate governance report was approved by the Entity's Governing Board during its session held on 26 January 2009.

Identify the Governing Board Members who have voted against or have abstained from voting with regard to the approval of this report.

Other information

- Irrespective of the information presented in this annual report, subsequent to 31 December 2008 and up to 26 January 2009, the date on which the Entity's Governing Board prepared the 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 and results.

Consolidated Financial Statements

Assets

	Thousands of euros 2008	2007
Cash and balances with central banks	**534,180**	**340,820**
Financial assets held for trading	**252**	**4,839**
Loans and advances to credit institutions	-	3,363
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Trading derivatives	252	1,476
Memorandum item: Loaned or advanced as collateral	-	-
Other financial assets at fair value through profit or loss	**20,201**	**-**
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	20,201	-
Debt securities	-	-
Other equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
Available-for-sale financial assets	**156,119**	**237,226**
Debt securities	30,825	54,258
Equity instruments	125,294	182,968
Memorandum item: Loaned or advanced as collateral	-	-
Loans and receivables	**23,316,431**	**22,634,506**
Loans and advances to credit institutions	568,310	700,667
Loans and advances to other debtors	22,748,121	21,933,839
Debt securities	-	-
Memorandum item: Loaned or advanced as collateral	*9,491,032*	*7,608,570*
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	**27,506**	**9,390**
Non-current assets held-for-sale	**103,531**	**4,635**
Investments	**62,102**	**67,816**
Associates	62,102	67,816
Jointly controlled entities	-	-
Insurance contracts linked to pensions	**-**	**-**
Reinsurance assets	**-**	**-**
Tangible assets	**474,959**	**378,822**
Tangible assets	402,001	368,864
For own use	398,357	364,975
Other assets leased out under an operating lease	54	331
Assigned to the Education and Development Fund	3,590	3,558
Investment properties	72,958	9,958
Memorandum item: Acquired under a finance lease	-	-
Intangible assets	**37,405**	**15,842**
Goodwill	-	-
Rest of intangible assets	37,405	15,842
Tax assets	**168,984**	**116,012**
Current	64,811	1,539
Deferred	104,173	114,473
Other assets	**277,158**	**100,285**
Inventories	202,708	654
Other	74,450	99,631
TOTAL ASSETS	**25,178,828**	**23,910,193**

Liabilities and Equity

	Thousands of euros	
	2008	2007
Financial liabilities held for trading	**6**	**719**
Deposits to central banks	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Trading derivatives	6	719
Short positions	-	-
Other financial liabilities	-	-
Other financial liabilities at fair value through profit or loss	**-**	**-**
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Subordinated liabilities	-	-
Other financial liabilities	-	-
Financial liabilities at amortised cost	**22,897,931**	**21,850,044**
Deposits from central banks	2,400,809	1,154,024
Deposits from credit institutions	749,403	770,140
Deposits from other creditors	18,146,187	17,314,053
Debt certificates including bonds	1,031,414	1,959,944
Subordinated liabilities	299,348	359,445
Other financial liabilities	270,770	292,438
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	**-**	**-**
Hedging derivatives	**17,922**	**105,512**
Liabilities associated with non-current assets held for sale	**-**	**-**
Liabilities under insurance contract	**-**	**-**
Provisions	**82,674**	**89,632**
Provisions for pensions and similar obligations	21,150	12,547
Provisions for taxes and other legal contingencies	-	-
Provisions for contingent exposures and commitments	10,094	14,114
Other provisions	51,430	62,971
Tax liabilities	**53,030**	**72,196**
Current	1,542	15,331
Deferred	51,488	56,865
Education and Development Fund	**5,828**	**7,306**
Rest of liabilities	**133,179**	**71,426**
Capital refundable on demand	**145,156**	**94,155**
TOTAL LIABILITIES	**23,335,726**	**22,290,990**

Equity

Equity (Thousands of euros)	2008	2007
Own funds	**1,832,685**	**1,592,112**
Capital or endowment fund	678,342	528,951
Issued	678,342	528,951
Less: Unpaid and uncalled	-	-
Share premium	-	573
Reserves:	-	-
Accumulated reserves (losses)	1,056,272	956,940
Reserves (losses) in entities accounted for by the equity method:	-	-
Associates	774	4,149
Jointly controlled entities	-	-
Equity instruments	-	-
Equity component of compound financial instruments	-	-
Non-voting equity units and associated funds	-	-
Rest of equity instruments	-	-
Less: Treasury shares	-	-
Profit attributed to parent	132,727	125,890
Less: dividends and remuneration	*(35,430)*	*(24,391)*
Valuation adjustments	**8,752**	**25,970**
Available-for-sale financial assets	8,752	25,970
Cash flow hedges	-	-
Hedges of net investments of foreign operations	-	-
Exchange differences	-	-
Non-current assets held for sale	-	-
Entities valued by the equity method	-	-
Rest of valuation adjustments	-	-
Minority interest	**1,665**	**1,121**
TOTAL EQUITY	**1,843,102**	**1,619,203**
TOTAL LIABILITIES AND EQUITY	**25,178,828**	**23,910,193**

Memorandum Accounts

Memorandum Accounts (Thousands of euros)	2008	2007
PRO-MEMORIA		
Contingent exposures	**708,578**	**881,855**
Contingent commitments	**2,489,195**	**3,625,700**
TOTAL MEMORANDUM ACCOUNTS	**3,197,773**	**4,507,555**

Income Statement

	Thousands of euros 2008	2007
Interest and similar income	1,365,667	1,033,959
Interest expense and similar charges	(864,668)	(592,017)
Remuneration of capital having the nature of a financial liability	(6,164)	(4,015)
A) NET INTEREST INCOME	494,835	437,927
Return on equity instruments	1,553	2,537
Share of profit or loss of entities accounted for using the equity method	(4,562)	71
Fee and commission income	111,813	101,742
Fee and commission expense	(10,168)	(11,427)
Gains or losses on financial assets and liabilities (net)	37,367	6,041
Held for trading	2,226	(1,067)
Other financial instruments at fair value through profit or loss	4,366	-
Financial instruments not at fair value through profit and loss	27,475	3,956
Other	3,300	3,152
Exchange differences (net)	(340)	1,187
Other operating income	41,993	58,648
Insurance and reinsurance premium income	-	-
Sales and income from the provision of non-financial services	26,667	28,065
Other operating Income	15,326	30,583
Other operating expenses	(27,370)	(20,375)
Insurance and reinsurance premiums paid	-	-
Variation in inventories	(12,780)	(8,942)
Other operating expenses	(14,590)	(11,433)
B) GROSS INCOME	645,121	576,351
Administrative expenses	(318,196)	(278,485)
Personnel expenses	(233,326)	(199,018)
Other administrative expenses	(84,870)	(79,467)
Depreciation and amortisation	(36,464)	(34,455)
Provisioning expenses (net)	(13,772)	(23,193)
Impairment losses on financial assets (net)	(109,646)	(112,021)
Loans and receivables	(109,560)	(111,636)
Financial instruments not at fair value through profit and loss	(86)	(385)
C) NET OPERATING INCOME	167,043	128,197
Impairment losses on other assets (net)	(21,959)	(578)
Goodwill and other intangible assets	-	-
Other assets	(21,959)	(578)
Gains (losses) on disposal of non-current assets held for sale	4,502	15,903
Negative difference in business combinations	-	-
Gains (losses) on non-current asset held for sale not classified as discontinued operations	(580)	2,447
D) PROFIT BEFORE TAX	149,006	145,969
Income tax	(7,676)	(10,757)
Mandatory transfer to Education and Development Fund	(10,128)	(10,832)
E) PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	131,202	124,380
Profit or loss from discontinued operations (net)	-	-
F) CONSOLIDATED PROFIT FOR THE PERIOD	131,202	124,380
Profit attributed to parent	132,727	125,890
Profit attributed to minority interest	(1,525)	(1,510)

Cash flow statement

Thousands of euros

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES	**360,078**	**40,643**
Consolidated profit for the year	**131,202**	**124,380**
Adjustments to obtain cash flows on operating activities:	**242,476**	**189,985**
Depreciation and amortisation	36,464	34,455
Other adjustments	206,012	155,530
Net increase/decrease in operating assets:	**979,896**	**4,523,893**
Financial assets held for trading	(3,363)	3,363
Other financial assets at fair value through profit or loss	20,201	-
Available-for-sale financial assets	(63,803)	(30,491)
Loans and receivables	775,017	4,538,482
Other operating assets	251,844	12,539
Net increase/decrease in operating liabilities:	**999,929**	**4,279,851**
Financial liabilities held for trading	-	-
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	962,211	4,307,784
Other operating liabilities	37,718	(27,933)
Collections/Payments on account of income tax	**(33,633)**	**(29,680)**
CASH FLOWS FROM INVESTING ACTIVITIES	**(265,516)**	**(82,538)**
Payments:	**272,878**	**106,392**
Tangible assets	142,578	90,407
Intangible assets	27,382	9,061
Investments	2,516	3,481
Other business units	-	-
Non-current assets and associated liabilities held for sale	100,402	3,443
Held-to-maturity investments	-	-
Other payments relating to investing activities	-	-
Collections:	**7,362**	**23,854**
Tangible assets	4,596	5,651
Intangible assets	86	58
Investments	2,680	14,502
Other business units	-	-
Non-current assets and associated liabilities held for sale	-	3,643
Held-to-maturity investments	-	-
Other collections relating to investing activities	-	-
CASH FLOW FROM FINANCING ACTIVITIES	**98,798**	**45,068**
Payments:	**101,594**	**28,406**
Dividends	41,594	28,406
Subordinated liabilities	60,000	-
Redemption of own equity instruments	-	
Disposal of own equity instruments	-	-
Other payments relating to financing activities	-	-
Collections:	**200,392**	**73,474**
Subordinated liabilities	-	-
Redemption of own equity instruments	200,392	73,474
Acquisition of own equity instruments	-	-
Other collections relating to financing activities	-	-
EFFECT OF EXCHANGE RATE CHANGES	**-**	**-**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**193,360**	**3,173**
CASH OR CASH EQUIVALENTS AT BEGINNING OF PERIOD	**340,820**	**337,646**
CASH OR CASH EQUIVALENTS AT END OF PERIOD	**534,180**	**340,816**

Thousands of euros

	2008	2007
MEMORANDUM ITEM		
COMPONENTS OF CASH OR CASH EQUIVALENTS AT END OF PERIOD		
Cash and banks	534,180	340,816
Cash equivalent balances with central banks	-	-
Other financial assets	-	-
Less: Bank overdrafts refundable on demand	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF PERIOD	**534,180**	**340,816**

Statement of Recognised Income and Expenses

	Thousands of euros 2008	2007
A) CONSOLIDATED PROFIT FOR THE PERIOD	**131,202**	**124,380**
B) OTHER RECOGNISED INCOME AND EXPENSES	**(17,218)**	**2,688**
Available-for-sale financial assets	(24,419)	5,437
Revaluation gains/losses	2,907	9,055
Amounts transferred to income statement	(27,311)	(3,618)
Other reclassifications	-	-
Cash flow hedges	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Amounts transferred to the initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedge of net investments in foreign operations	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Exchange differences	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Non-current assets held for sale	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Actuarial gains (losses) in pension plans	-	-
Entities accounted for by the equity method	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Rest of recognised income and expenses	-	-
Income tax	7,186	(2,749)
C) TOTAL RECOGNISED INCOME AND EXPENSES	**113,984**	**127,068**
Attributed to parent	115,509	128,578
Attributed to minority interest	(1,525)	(1,510)

Statement of Changes in Equity at 31 December 2008

Thousands of euros

	Own funds												
	Capital/Endowment fund	Share Premium	Accumulated reserves (losses)	Reserves (losses) in entities accounted for by the equity method	Other equity instruments	Less: Treasury shares	Profit for the period attributed to parent	Less: Dividends and remuneration	Total equity	Valuation adjustments	Total	Minority Interest	Total Liabilities and Equity
Closing balance at 31/12/2007	528,951	573	956,940	4,149	-	-	125,890	24,391	1,592,112	25,970	1,618,082	1,121	1,619,203
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted	528,951	573	956,940	4,149	-	-	125,890	24,391	1,592,112	25,970	1,618,082	1,121	1,619,203
Total income and expenses recognised	-	-	-	-	-	-	132,727	-	132,727	(17,218)	115,509	(1,525)	113,984
Other changes in equity	149,391	(573)	99,332	(3,375)	-	-	(125,890)	11,039	107,846	-	107,846	2,069	109,915
Capital/Endowment fund increases	149,391	-	-	-	-	-	-	-	149,391	-	149,391	-	149,391
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities transferred to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Remuneration of members	-	-	-	-	-	-	-	(35,430)	35,430	-	35,430	-	35,430
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	(573)	101,913	71	-	-	(125,802)	(24,391)	-	-	-	-	-
Increases (reductions) due to risk combinations	-	-	(2,069)	-	-	-	-	-	(2,069)	-	(2,069)	2,069	-
Optional transfer to welfare funds	-	-	-	-	-	-	88	-	88	-	88	-	88
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Rest of increases (reductions) in equity	-	-	(512)	(3,446)	-	-	-	-	(3,958)	-	(3,958)	-	(3,958)
Closing balance at 31/12/2008	678,342	-	1,056,272	774	-	-	132,727	35,430	1,832,685	8,752	1,841,437	1,665	1,843,102

Statement of Changes in Equity at 31 December 2007

Thousands of euros

	Own funds												
	Capital/Endowment fund	Share Premium	Accumulated reserves (losses)	Reserves (losses) in entities accounted for by the equity method	Other equity instruments	Less: Treasury shares	Profit for the period attributed to parent	Less: Dividends and remuneration	Total equity	Valuation adjustments	Total	Minority Interest	Total Liabilities and Equity
Closing balance at 31/12/2006	462,933	752	805,459	(1,501)	-	-	113,570	15,351	1,365,862	23,282	1,389,144	2,054	1,391,198
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted	462,933	752	805,459	(1,501)	-	-	113,570	15,351	1,365,862	23,282	1,389,144	2,054	1,391,198
Total income and expenses recognised	-	-	-	-	-	-	125,890	-	125,890	2,688	128,578	(1,525)	127,053
Other changes in equity	66,018	(179)	151,481	5,650	-	-	(113,570)	9,040	100,360	-	100,360	592	100,952
Capital/Endowment fund increases	66,018	-	-	-	-	-	-	-	66,018	-	66,018	-	66,018
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities transferred to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Remuneration of members	-	-	-	-	-	-	-	24,391	(24,391)	-	(24,391)	-	(24,391)
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	90,322	7,897	-	-	(113,570)	(15,351)	-	-	-	-	-
Increases (reductions) due to risk combinations	-	-	56,092	-	-	-	-	-	46,092	-	56,092	592	56,684
Optional transfer to welfare funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Rest of increases (reductions) in equity	-	(179)	5,067	(2,247)	-	-	-	-	2,641	-	2,641	-	2,641
Closing balance at 31/12/2007	528,951	573	956,940	4,149	-	-	125,890	24,391	1,592,112	25,970	1,618,082	1,121	1,619,203